NCIALTIMES

World Business Newspaper http://www.FT.com

MONDAY FEBRUARY 1 1999



Rudi Bogni of UBS Polishing up the jewel in the crown Profile, Page 7



By Andrew Bolger,

surance Correspondent

PolyGram Prince Muhammad - not just a glamour-crazed buyer



Europe's socialists Resolutely heade

The beauty of bonds Better than stocks, thanks to low inflation Page 13

Mastering Information Management

A 12-part series on the I in IT starts today. Part One: improving company performance

Separate section



Palestinian council opposes May move to declare statehood

Palestinian Authority president Yassir Arafat has been told by his legislative council to abandon plans to declare a state on May 4. More than 80 per cent of council deputies opposed a unl-lateral declaration, Instead they want reforms to prepare for statehood. . Page 14

Iraqi military sites attacked US and British warplanes again attacked Iraqi targets. A US jet fired at a radar site in the northem no-fly zone and US and British aircraft attacked Iraqi facilities in the south. Baghdad attacks move to review UN ties, Page 4

Europe's socialists target jobs Left of centre-led governments in the European Union are planning measures to boost employment. They hope to offset the effect of weaker exports on growth and jobs. International, Page 2

Gibraitar fishing dispute worsens Abel Matutes, Spain's foreign minister, warned of a diplomatic crisis over Gibraltar because London had not cuaranteed a deal granting Spanish trawlers continued local fishing access. International, Page 2

Tom Spencer, a senior Member of the European Parliament from Britain's Conservative party, withdrew from European parliament elections after cannabis and a gay sex video were found

in his suitcase. UK, Page 6

Koeovo talks may go ahead The six-nation Contact Group on Kosovo expects Yugoslav president Slobodan Milosevic and the Kosovo Liberation Army to attend peace talks this week. Page 2

Luwinsky set to testify Monica Lewinsky, the former White House worker at the centre of charges against President Bill Clinton, will open a new phase of his impeachment trial when she testifies behind closed doors today, International, Page 3

Seoul warned against completency South Korea risks complacency over the degree to which it has quercome its economic crisis, a senior international Monetary Fund official warned, and it is still too early to say sustainable recovery has been achieved.

Anwar trial to continue A judge trying Anwar Ibrahim ruled that Malaysia's ousted finance minister had a case to answer. He is accused of abusing his authority by directing police to obtain retractions from people who accused him of sex

ences, International, Page 4

Lusty duck's day of reckening The UK government is to declar war on the lust-crazed ruddy duck, which is wreaking ecological havoc across Europe. Britain has been under pressure to start exterminating some 4,000 of the native American ducks which have made the UK their home. UK. Page 6

Italian ruling may hit Murdoch plan for pay-TV football

The Italian government hopes to limit the broadcast rights of any one pay-TV organisation to 60 per cent of Serie A football matches. Rupert Murdoch's News Corporation Europe is seeking all rights. Page 15

Fujian International Trust and Investment Corporation, a Chinese trust and investment company, had provisional credit lines worth \$100m cancelled by foreign banks. Page 15

General Motors said it was not seeking to take over Nissan and had no plans to top Ford Motor's offer for Volvo cars. Page 16; Volvo woos other truck compa nies, Page 17

Merriil Lynch, US investment bank, paid the Belgian government around \$100m to settle a dispute over currency derivative transactions. Page 15

British Petroleum and Amoco of the US escaped more than \$800m in duty on their merger because of a loophole in UK tax laws. Page 6

Eletrobrás, the Brazilian government's electricity holding company, is to be privatised in July despite the country's aconomic turmoil, officials said. Page 15; Lex, Page 14

MorphoSya of Germany and two other biotechnology companies plan to enter European markets In offerings that aim to raise a total of \$100m. Page 18

Azkar, Spanish transport and logistics group, said it had been swamped by non-Spanish institutional demand for an initial public offering worth Pts24.6bn (£148m,

\$171m). Page 21 National Bank of Greece, the country's biggest bank, reported a 103 per cent increase in pretax 1998 profits to Dr130bn (\$460m) after completing a merger with its housing subsidiary, National Mortgage Bank.

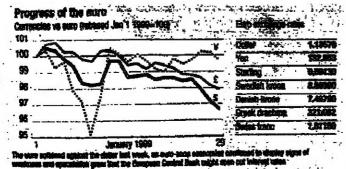
Dresdoer Bank of Germany is to launch an investment company aimed at giving institutional ctienta higher yleida. Page 18

Kellogg, US cereals company which accounts for about 32 per cent of the US market, ended a difficult year with earnings it said were disappointing. Page 19

Société Générale and Paribas, the French banks, are reported to have revived talks over a possible link-up. Page 17

European Insurance compani and brokers face heavy losses from a three-year forzy into financing independent films, Hollywood executives said. Page 3

Lex on M&A in Japan Japanese bosses hate to let go



OTHE FINANCIAL TIMES LIMITED 1999 No.33,820

London · Leeds · Paris · Frankfurt · Stockholm · Billan · Madrid · Hew York Chicago · Los Angeles · Tokyo · Hong Kong Euro-ason target price 62.15. Prices in local currency as altown Die1,380 Toolere



Subscription Bales Department, The Financial Times Limited. Hyper One Stationers, Stiller, Lindon, SE1 SE.

ted to announce today it has accepted an offer from Axa, the French insurance group, that val-**BUSINESS NEWS** ues it at about £3.5bm (\$5.9bm), or Axa made its bid for GRE, one of the UK's oldest companies,

through Sun Life and Provincial Holdings, the UK composite in which its holds a 72 per cent stake. GRE shareholders will be offered cash and shares in Sun Life and Provincial, which will become third largest UK insurer behind CGU and Royal & Sun

Although last-minute discus-

French group's US strategy squeezes out rivals for UK insurer

AXA's £3.6bn bid set to win GRE

sions could delay the official Guardian Royal Exchange, the announcement by 24 hours, Axa learned on Saturday it had come from behind to grasp control of GRE from Eureko, an alliance of seven European insurers, and Royal & Sun - the only other bidders by Friday's deadline. GRE shares closed at 367%p on

Friday. Axa appears to have pipped Eureko because it has lined up buyers for the GRE general businesses in the US that neither company wanted to take on. Axa has agreed to sell the US businesses to Liberty Mutual of the US for about \$1.5bm. It will also sell Albingia, GRE's German operation, to Colonia, the French

group's own German arm for Eureko, which tabled a cash

offer of 385p per share, was willing to take on GRE's US operations temporarily, but had been unable to complete due diligence and its offer was conditional in certain respects. GRE said it believed Axa's was the best "clean" offer on the

Royal & Sun, which also offered a mixture of cash and shares worth almost 390p, fell out

of the running on Friday because cial Union and General Accident of the GRE board's suspicion of and Royal & Sun Alliance formed the paper element of the bid. Royal and Sun's shares had

pany's interest was confirmed recently, and GRE feared the shares would fall further if a deal was concluded.

Sun Life and Provincial's

shares have outperformed the

market over the past two

months, largely because investors believed Axa had dropped out of the race for GRE. The deal would complete the rapid consolidation of the UK insurance market over the past two years. It has seen CGU created from the merger of Commer-

from Royal Insurance and Sun

of the problem of overcapacity that has plagued the UK general insurance market

The Axa takeover will mean far fewer redundancies than would have been sought by a UK com-

petitor such as Royal & Sun. Peter Owen, GRE's chief executive designate, is likely to be given a senior role in the enlarged organisation.

The takeover will enhance the formidable deal-making reputation of Claude Cluade Bebear, Axa's chairman, who has built the group into one of Europe's biggest insurers through acquisition and aggressive asset man

clidation continues, Page 16 However, it would not address

MICROSOFT CHIEF ADDS HIS VOICE TO WARNINGS ON SECTOR

Internet stocks are priced too high says Gates

By Peter Martin in Davos

Bill Gates, chairman of Microsoft, yesterday joined the ranks of those who believe internet stocks are overvalued, but said his company would probably "participate in this frenzy a little bit" by making further acquisitions.

Speaking at the annual meet-

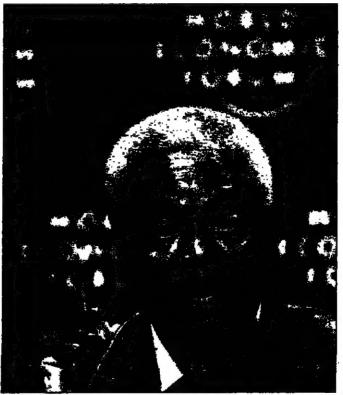
ing of the World Economic Forum in Davos, Switzerland, Mr Gates said internet stock valuations were "breathtaking"

stocks to people who don't like massive risk," he said, "especially at current levels. People are jumping into it like it's gold. UN secretary-go

Similar comments have come in recent weeks from Alan Greenspan, chairman of the US Federal Reserve, and from Rupert Murdoch, chairman of News Corpora-

Mr Gates said internet stocks were merely an extreme case of an issue that affected the whole industry. "I do find the valuations of high-tech companies in general surprisingly high," be

price/earnings ratios were at lower levels than they are today. "So obviously that view that they were going to go down business plans that aimed at



neral Koti Annan discussing workers' rights with be ders at the World Economic Forum yesterday

will I be right? I think so."

investors tended to underestimate the impact of the intense competition in technology markets, he said. Technology companies should be valued at a discount to the shares of companies like Disney and Coca-Cola, the US economy, he said. which had stable long-term

Higher prices would make it However, he had held this view harder to justify acquisitions, he Trade pledge, Page 14 for over a decade, even when said, "but I'm not saying that we

won't participate in this frenzy a little bit". Everybody in the industry had

didn't prove out. In the long run, becoming one of the top three will I be right? I think so." becoming one of the top three players on the internet. "Believe me, those business plans exist at Microsoft too - except it probably doesn't say 'top three', it's something more ambitious." Overall, the internet share price boom would probably prove valuable to

Reports from Davos, Page 5

Brazil presses for early release of funds from IMF

By Gooff Dyer in São Paulo and Robert Chots in Davos

Stanley Fischer, first deputy managing director of the International Monetary Fund, arrives today in Brazil, where the government is pressing for the speedy release of funds from its \$41.5bn emergency aid package and desperately looking for a way to halt the continuing slide of the Real against the dollar.

Pedro Parente, Brazil's deputy finance minister, said Mr Fischer's arrival would help "speed up the process" of whether the IMF would allow the prompt release of a \$9bn tranche due to be made available by the end of February. float two weeks ago, broke through the barrier of R\$2 to the dollar. The currency has devalued by more than 40 per cent

since January 12. Mr Fischer is flying to Brazil direct from the World Economic Forum in Davos, Switzerland, where vesterday he stood by the IMF's controversial package for Brazil, which attempted to prop up an exchange rate that many observers thought overvalued the

Mr Fischer said a clear and credible monetary policy was the key to stabilising the Brazilian currency. "There is no question that the currency has gone far too far given the underlying strengths and policy changes in the Brazilian economy.

The government has been trying to use high interest rates. which are now 37 per cent, to prevent further devaluation. However, this has prompted fears of an explosion in the stock of domestic debt, most of which is at floating interest rates, and a possible debt rescheduling.

The talks with the IMF come amid the first signs of panic among ordinary Brazilians over the currency crisis.

Banco do Brasil, the country's largest bank, and Febraban, Brazil's main banking association, both admitted that on heavy withdrawals from bank branches, but denied there had been a widespread run on deposits. Some of the biggest withdrawals were made from the bank branches in the Senate and lower house of Congress in

Brasilia. President Fernando Henrique Cardoso was forced publicly to deny on Friday that he was planning to freeze bank accounts or take other emergency

Reports from Davos, Page 5 Editorial Comment, Page 13 Lex, Page 14; Observer, Page 13 Eletrobras privatisation, Page 15

Connections clamp cuts US phone bills

US consumers are paying about a third less for international telephone calls than they were before the adoption of a controversial US policy a year ago.

According to preliminary calculations by the Federal Communications Commission. the unilateral imposition of a celling on connection rates paid by US telecommunications companies to foreign carriers is already having an impact on

The FCC set the ceiling on rates it expected US carriers to \$5.4bn in 1996. pay their international counterparts from the beginning of 1999. The plan, which sets different targets and timetables for wealthier and less developed countries, aims to reduce the average cost of international calls from 88 cents a minute in 1997 to about 25 cents a minute by 2003.

the FCC estimates the average price for US consumers of an international call fell to 60 cents a minute during 1998, with the cost of connections to countries such as the UK and Sweden as low as 12 cents a minute.

William Kennard, FCC chairman, said the reductions resulted from the success of the benchmarks policy and the growing liberalisation of global telecommu-

nications markets under the World Trade Organisation agreement that took effect last year.
"We're now at the end of the beginning of the war against tele phone monopolies.

The new rates were imposed after the US grew frustrated at repeated delays in agreeing worldwide reforms to the international settlements system under which such rates are negotiated. Because the US has relatively low domestic rates, the arrangement resulted in a large net payment by US companies to international carriers - an aggregate FCC officials said price reduc-

tions in Europe had been satisfactory but progress in richer Asian states such as Singapore and Taiwan was slower and connection charges in big developing countries such as India and China remained "outrageous". Mr Kennard warned the FCC would pursue "an aggressive enforcement regime".

Under the policy, where a US carrier justifiably complains, the agency can in theory order the company not to pay more than the benchmark. Partly because of a long-running legal challenge by Cable and Wireless of the UK, claiming the FCC has no right to set unilateral rates, no such complaints have been brought.

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Hopes rise

for Kosovo

peace talks

The six-nation Contact

Group on Kosovo, backed by

ident Slobodan Milosevic

and the separatist Kosovo

Liberation Army to give a

row to a summons to peace

Robin Cook, UK foreign

secretary, delivered what amounted to an ultimatum

to both sides on Saturday, as

well as a draft peace plan

that would give Kosovo sub-

stantial autonomy for an

interim period of three

years, with the possibility of

deploying an international

Diplomats said military

mented KLA had indicated

they would attend the talks,

to start in Rambouillet, near

Paris, on Saturday. Ibrahim

terly criticised by the KLA

for his non-militant stance. told Mr Cook he would be at

talks should be held in Serbia but told Mr Cook he would seriously consider the

proposal of the Contact

Group, comprising Britain.

sia and the US. It is thought

Mr Milosevic would send a

"I told Mr Milosevic that

the Contact Group proposal

offered a way out of a con-

flict he cannot win," Mr

Cook said yesterday. "I also

told Kosovo Albanian lead-

ers that the proposal would

provide for a democratic,

self-governing Kosovo free

Tony Blair, British prime

from fear of bloodshed,

senior representative.

the negotiating table. Mr Milosevic said peace

talks this week in France.

expects Yugoslav Pres-

would back up the Contact

mounting atrocities against

civilians, the Contact Groun

has set a two-week deadline

Mr Cook said only "20 per

cent" of the peace proposa

The 23-page draft, based

on months of shuttle diplo-

macy by Chris Hill, US medi-

ator, sets out a "high degree

ovo with its own "president"

and representation within

ern diplomat commented.

armed villagers with a

strong loyalty to Mr Rugova,

group's more radical leader

accept a deal.

ship in exile may refuse to

Stephen Fidler adds from

Washington: US media

growing within the US

peace accord was fashioned.

But Mr Gore told Britain's

Sky television: "No decision

on that has been made... We

don't want to get to imple

mentation before negotia-

However, US senators

speaking yesterday ques-

tioned how long they would

be asked to remain in place.

Potentially, the KLA is

federal Yugoslavia.

commanders of the frag- the biggest problem," a west-

Kosovo's ethnic Albanian and would probably follow

majority, who has been bit- his line. But the rebel

was up for discussion

European leaders plan jobs drive

The 11 left of centre-led governments in the European Union are planning ment and offset the negative effect of weaker export markets on economic growth

Leaders of European socialist and social democratic parties commissioned Antonio Guterres, the Portuguese prime minister, to head a working group to investigate scope for action at the national and European level and report to the forthcoming congress of the Party of European Socialists (PES) in Milan at the begin-

ning of March. Viktor Klima, the Austrian chancellor who launched the initiative, said Mr Guterres would develop ideas about how to encourage growth and employment through fiscal and investment policy and by co-ordinating the European Union and national budgets.

after a two-day brainstorming session in Vienna of leftof-centre leaders that was attended by seven European prime ministers, Mr Klima said the plans would not endanger price stability, which is the responsibility of

the European Central Bank. While details of the socialist leaders' policy options remained sketchy, there was no doubting the concern felt by some about the dangers to growth and jobs in Europe from global economic devel-

Oskar Lafontaine, the Bonn finance minister and leader of the German Social Democratic party, warned that recession could come quite quickly, according to

"We all face a tougher situation in the next year or so," said Tony Blair, the UK prime minister, after the

the policies to provide people authorities as examples of with the job opportunities of how to create jobs.

Mr Blair made clear that To improve employability. Europe had to build a "workforce that is highly adaptable, well educated and well skilled, promote small enterprises, embrace new technological industries of the improve productivity and its

The role of government was "to_make people better equipped to prosper" rather than "heavy handed inter-

Mr Klima cited recent moves by the Austrian government to boost business research and development. improve vocational training, remove red tape, help with panies and support the hiring of social and environ-"It is essential we focus on mental workers by local



The Austrian leader also Milan. The planned pro- It would be co-ordinated

tive, the PES would prepare omy and control would high-

disclosed that, at his initia- gramme for probity, econ- with the European parliaan "action plan" against light the need for greater EU member states, which fraud and mismanagement transparency and more have also piedged to stamp

Election manifesto strikes centrist chord

By Peter Norman in Vienna

Leaders of Europe's socialist and social democratic parelections in June that is centrist in tone with commitments to "a modern economy that ensures growth. 20 left of centre parties from competitiveness and job cre-

The 10-page document, their commitment to the which will be published offi-security of Europe's citizens cially in Brussels on in social policy and fighting Wednesday, was agreed with crime. The - manifesto minor modifications after declares that "each individwhat participants described ual has more opportunity as an uncontroversial discus- and more security if their sion. Tony Blair, the British prime minister and the archexponent of non-socialist left dards in education, health. of centre politics, described transport and welfare".

it as "a very great step forward for the centre left parties in Europe" which marked them out as "champions of jobs and growth". . Rudolf Scharping, German

defence minister and president of the Party of European Socialists, representing the European Union, Norway and Cyprus, underlined ern services of high stan- rights.

welfare systems, the promotion of new enterprises and support for the non-market sector" to promote employment. The document shies away from strong commitments to traditional socialist policies. Thus, promoting employment "may include agreed reductions of working time negotiated between the social partners". A European growth strategy must embrace sustainable growth in both demand and invest-

effective protection of social The manifesto says "it is in the interests of all mem-

ment. Economic reform and

competitiveness require the

It advocates "training tax ber states whether members reform, the modernisation of of the single currency or not that the euro is a success". A sound euro will protect against currency speculation, allow for lower interest rates and contribute to a reformed and more stable world financial system.

> effort" to enable small and medium-sized enterprises and peripheral regions to take advantage of the EU's single market. "Taxation should not distort economic labour, capital and services." Blair could support, the manifesto backs "better policy co-ordination" in the EU "to prevent harmful tax com-

tax breaks and hidden subsi-

BU that both respects the They say a modern Europe It calls for a "particular needs a reformed common agricultural policy and reformed structural funds that are effectively targeted towards job creation.

The manifesto calls for the RU to find "new ways of findecisions with regard to ancing investment such as public private partnership Using language that Mr and use of the European Investment Bank's lending facilities to overcome budgetary constraints.

petition in the form of unfair qualified majority voting "where desirable" in the institutions before enlargement to include countries of

eastern and central Europe. Mr Blair said governments would examine each case for expanding majority voting on its merits and noted that Britain had benefited from the system when pushing through decisions for creating the single market. However, Pauline Green, the British leader of the socialist group in the European parliament, said unanimity should be kept in important EU treaties, enlargement of the EU and taxation.

NEWS DIGEST

FISHING DISPUTE

Spain warns of crisis with UK over Gibraltar

Abel Matutes, Spain's foreign minister, has warned of a prolonged diplomatic crisis with the UK over Gibraltar because London had falled to guarantee a verbal agreement made in October, which allowed Spanish trawlers continued access to their traditional fishing grounds in the coastal waters of the British colony. Mr Matutes has also formally complained to Brussels listing alleged non-compliance by Gibraltar of EU directives.

Gibraltar's authorities, which recently began to implement a 1991 ordinance that forbids the use of nets within three miles, did not recognise the verbal agreement and infurlated Madrid by seizing a local fishing vessel last week. In an attempt to defuse tension, the UK has offered new talks on the dispute saying it hoped to restore the "harmony" that existed up to 1997 when trawlers fished unmolested in the vicinity of the colony but that it could not contravene Gibraltarian law.

Mr Matutes said the UK statement was *not what Spain was hoping and what I had asked for". The Spanish response, as in the past when differences over Gibrattar have flared, will be to apply strict frontier controls on the colony's border with Spain. Mr Matutes said there was now "a crisis, perhaps a long one". Tom Burns, Madrid

EU RESEARCH PROJECT

Israeli participation blocked

Several European Union countries, led by France and Britain, are blocking Israel's participation in a €15bn (\$17.4bn) acientific and research programme because of its failure to implement the Wye peace accord reached in October with the Palestinians.

Israel has responded by launching a diplomatic offensive in the run-up to next week's visit to the region by Joschka Fischer, Germany's foreign minister, Israel has also asked Germany, head of the EU presidency, to apply pressure on manhor states to allow the region by the region of the EU presidency. member states to allow Israel to join the programme.

Israel claims that some EU countries are "politically motivated" and has sharply criticised any linkage between its participation in the programme and the peace process. Implementation of the Wye accord was frozen in December when Benjamin Netanyahu, Israeli prime minister, refused to carry out a second troop pullback from the West Bank, claiming the Palestinians had falled to co-operate on security.

Countries opposing Israel's membership in the EU programme base their action on the mandate issued last year by the EU Council of Ministers to start negotiations with larael. Final approval for joining the programme, the mandate stated, must take into account the peace process.

While the Commission supports Israel's entry, several council members object, as well as some European arliament deputies. Judy Dempsey, Jerusalem

POLISH ECONOMY

Call for weaker zloty

Poland needs a weaker zloty to bolster exports, which have suffered from the collapse of the Russian market, according to Jerzy Krophwnicki, a minister and head of the government's Strategic Studies Unit,

Mr Kropiwnicki was speaking after the publication of trade figures for 11 months of last year, which show a \$19bn trade deficit for the period. The trade deficit in the same period in 1997 was \$14.7bn,

The call comes as the Solidarity-led government is seeking to head off demands from farmers who want to be compensated for a fall in prices last year. The health service is also threatening a general strike in support of higher wage claims. Christopher Bobinski, Warsaw

Aznar rebrands party 'reformist centre'

By David White in Madrid

José Maria Aznar, Spanish prime minister, yesterday launched a bid to consolidate his Popular party's hold on power, with a re-organised and younger leadership team and a rebranding of its policies as "reformist cen-

He told 3,000 delegates at a PP congress in Madrid that the renovation undertaken in the top echelons should be carried out throughout the rest of the party.

three-yearly congress, the last before the next general

election in about a year's and promising a "profound time, coincided with an opin- reform of public services. ion poll in the newspaper La Vanguardia showing the PP leading the opposition Socialists by 42 per cent of the vote to 37 per cent. The as secretary-general, the confive-point gap would leave gress approved further the PP just short of an absolute parliamentary majority. ture and its executive com-

the newspaper said. the tone for other European increasing the number of centre-right parties, which women. individual rights and solidar-

Mr Aznar, seeking to set

After Mr Aznar's choice of Javier Arenas, previously labour minister, to take over running the party full-time changes in the party's strucmittee, promoting politicians in the 40-ish age bracket and

are mostly languishing in Among the few surprises opposition. placed the was the inclusion in the emphasis on opportunities, committee of Josep Piqué, industry minister and govity, setting education and ernment spokesman, who employment as priorities until the day before the con-

gress was not a party mem-ber. Mr Piqué, who earlier more than 99 per cent. Policy but enshrined Spanish disclaimed any long-term political ambitions, is now general election effort in Barcelona.

Several "old guard" con-However, Manuel Fraga, the PP's founder and honorary president, a veteran of the bility of constitutional Franco regime, said the party had not so much moved to the centre as in the Basque region followexpanded its reach.

almost Soviet-style unanim- sation, he said there was "no fits in the constitution and is ity. The new list of party alternative" to the current possible only in the frame-

documents also received blanket approval, with a sinexpected to head the PP's gle dissenting vote registered in two out of five

biggest applause by defying Basque leaders on the possi changes. While reaffirming his desire for lasting peace ing last September's cease-The congress displayed fire by the armed Eta organi-

Despite the moderate servatives were relegated. pitch, Mr Aznar drew his (PNV), which heads the

national unity. His remarks, setting a

limit to political bargaining. Arzalluz, leader of the Basque Nationalist party region's government and is one of the regional parties the PP has counted on for parliamentary support in Madrid. To Mr Arzalluz's contention that the Basques "do not fit" in the constitution. Mr Aznar said: "Peace

omy to boost production and

exports this year. "What is

needed are structural poli-

cies that reduce the rigidity

a reduction in the tax but

den, and introduce flexibility

in a job market that still

responds to the logic of a

With Italy's political scene

appearing increasingly unst-

able, Mr Fazio also urged a

return to "a basic stability in

closed economy."

Duisenberg cool on rate cuts

By Richard Adams

Further interest rates cuts within the euro-zone would only be justified by deflation "persistently lower prices". Wim Duisenberg. president of the European Central Bank, said yester-

Mr Duisenberg told BBC television that interest rates within the single currency zone were already at historically low levels, and that further rate cuts would not help stimulate growth. "Further process for the ECB.

lowering [of] interest rates There were no signs of a stable - although this did would only be justified if real recession within Europe not require membership of lowering [of] interest rates there was a climate of persistently lower prices. And if there were signs of deflation. then the lowering of interest rates would be justified. But

Mr Duisenberg said he was sure" from politicians to cut interest rates, and described the period since single cur-

Financial Times Surveys

Cuba

Monday March 1

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FINANCIAL TIMES

No FT, no comment.

we are not there yet," he

told the BBC's Money Pro-

"We foresee that prices will remain stable or at the level of increase that they currently are. So from that background, there's no reason to do anything with

interest rates." he said. Mr Duisenberg also said "used to withstanding pres- there were "huge advantages" for the UK to join the single currency. But the UK needed to demonstrate that rency's launch as a learning sterling's exchange rate against the euro could be

not require membership of an exchange rate mecha-

by Europe's central banks

Large-scale sales of gold

are not likely within the next 10 years, according to a Sirkka Hamajainen, a member of the bank's executive council, said gold would eventually lose its reserve status, but significant sales by the European central hanks would only come in the "very long term".

Antonio Fazio, governor of to boost growth.

FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH, Nibelungenplatz 3, (9318 Frankfort am Main, Germany, Telephone 4+49,
9 158 59, Fax +4+9 69 596 4881. Regneseated in Frankfurt by Colin A. Kennard
as Geschäftsführer and in London by
David C. M. Bell, Chairman, and Alain C.
Miller, Deputy Chairman, and Alain C.
Miller, Deputy Chairman, and Alain C.
of the Financial Times (Europe) GmbH is
Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, WiX I.LE.
Shareholder of this company is Pearson
ple, registered at the same address
GERMARY!:

GERMANY:

Publishing Director: P. Maruviglu. 42 Rue La Boésic. 7900B PARES, Telephone (01) 3776 8254, Faz. (01) 5376 8251. Printer: S.A. Nord Eclair. 15/21 Rue de Caire. F-39100 Roubein Cedex I. Editor: Richard Lambert. ISN 1148-2753. Commission Pantaire: No 67808D.

SWEDENC Responsible Publisher: Brudley P Johnson Telephone: +46 S 791 2345. Printer: AB Kvellistidningen Expressen, PO Box 6007, 5-330 06, Jonköping. C The Francial Times Limited 1999. Editor: Richard Lumbert, clo The Financial Times Limited, Number Our Southwark Bridge, London SEI 97IL.

Fazio warns over Italy's low growth

By James Biltz in Rome

the Bank of Italy, has warned that the economy faces an uncertain 12 of current expenditure, allow months and that political stability and labour market flexibility are again essential

Amid continuing concern that Italy has the most sluggish growth rate in the eurozone area, Mr Fazio used a keynote address at the weekend to warn that levels of our institutions and our sociconsumer demand and ety along lines that everyone industrial production again threatened "unsatisfactory

Addressing the annual Forex convention in Verona. Mr Fazio noted that the govdiscipline to get into the single European currency had led to an average Italian economic growth rate of 1.2 per cent in each of the last three years, around half that of

Germany and France. But he said hopes of an improved performance this year were still uncertain. "According to preliminary in the month of January was 12 months ago."

can share*. Italian government minis ters in recent weeks have started to downgrade their economic forecasts for this year from the official predic tion of 2.5 per cent made las April Massimo D'Alema, prime minister, said last week that growth could still be over 2 per cent this year, although many analysts

burden on Italian companies. data, the level of production which he said was one per looks to be the same as it the European average and 13 At the same time, he warned that Italian industri-

view this as uncertain. For Mr Fazio, one of the main burdens on Italian growth has long been the high tax and contribution

centage point higher than percentage points higher than the US. He warned that this could harm investment alists could not rely on an in the new euro-sone.

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HE AMERICAS

Lewinsky testimony will be given in private

By Stephen Fidler in Washington

MONDAY FEBRUARY From

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The Senate impeachment trial of President Bill Clinton enters a new phase today as Monica Lewinsky, the former White House intern at the centre of charges against him, testifies behind closed

Ms Lewinsky will be the first of three witnesses called by the Republican

to the public. Vernon Jordan, Mr Clinton's friend, is due to give his deposition tomorrow and

George Gekas, one of the insky had been encouraged to provide false testimony or

to hide gifts from the presi-

ate, though some bave acknowledged that this will be a difficult task. Some senators yesterday expressed strong doubts that

remove him from office. The White House said on for central America.

on February 15 and delay

about salacious details of her Hatch, Utah Republican, told February 12, when, accord- to ask a grand jury for Clinton before his term expires. It quoted an associbelieved a sitting president could be indicted - but had given no hint of whether he

would seek an indictment. Asa Hutchinson, another House manager, told CBS TV such a discussion was "not heluful at all" while the Sen-

By Henry Tricks in Mexico City

Mexico

may face

pressure

dollar peg

a fixed exchange rate is set next year's elections after a top presidential aspirant said he favoured an Argen

Vicente Fox, a Mexican state governor who is the most likely presidential candidate for the pro-business National Action party (PAN), said he recently visited Argentina and Hong Kong to analyse their currency board systems, which fix the local currency to the dollar. "I have a very favourable position towards currency boards and I think they could be very interest ing for Mexico," he said. Last week, Carlos Gómez

would help avert crisis at

relations with the president. Fox television that "barring ing to the current tentative criminal indictment of Mr to give depositions in a 13 House managers, said yes-The managers still hope some thunderbolt of new eviplan of the Senate, the final Washington hotel this week. terday the aim of questionthat the Senate can be perdence that would change vote in his impeachment The proceedings will be vidpeople's minds", there was trial would take place. He are as saying Mr Starr ing would be to "follow up" suaded to allow witnesses to eotaped and the Senate will testify in the well of the Sen- no way that the requisite 67 will visit Mexico as planned on a number of issues. vote later on whether the including whether Ms Lew-

the House of Representatives tape should be shown in the Senate chamber or released

dent. He told CNN television that the House managers had made a commitment not

there would be a two-thirds majority sufficient to

votes could be mustered to

Saturday that Mr Clinton had postponed a planned trip to central America in February until March, so that he would be in the country on

until March 8 his departure In another development yesterday, the New York Times reported that Kenneth Start, the independent coun-

tina-style currency board.

Gómez, head of the Mexican the weight of the financial sector behind a fixed exchange rate and eventual monetary union with the US He said a move that way Zedillo's term in 2000.

The government, however insists it has no plans yet to abandon the floating peso. and officials fear the debate itself could promote exchange rate instability if speculators start to drive the peso lower against the dollar, anticipating it would be fixed at a lower level.

One official said there was "close to zero chance" of a currency board being proposed by Mr Zedillo, though he left open the possibility in the event of severe market turmoil in the run-up to the elections next year. Speaking at the World Economic Forum, José Angel Gurria, finance minister, was quoted as saying dollarisation was not on the agenda "in the foreseeable future".

released Star Trek: Insurrection (PG) as acceptable fam-The government's main argument against a fixed currency is that it reduces the tools available to fight external shocks. It would also be likely to stir strong resistance in Congress if it was perceived as threatening national sovereignty.

Sidney Blumenthal, a White to question Ms Lewinsky impeach the president. Orrin A new Hollywood abecedary: G is for good takings, R is for rotten

Family films make eight times more profit than ones with exploding heads, advocacy group says. Christopher Parkes reports

code for films depicting sex, violence and other content unsuitable for family viewing, serves a double purpose as a sign of a rotten rate of return on investment, according to a study of 10 years' worth of studio out-

G signifies good - as in clean fun and gross earnings - says the Dove Foundation. an advocacy group for more wholesome entertainment. which claims the average film with a "general" rating generates eight times more gross profit than an R-rated

investment, family fare is 78 per cent more rewarding G rating. than blood and guts.

Coming shortly after Walt Disney announced plans to re-locus its efforts on family films, the report may strike a chord among studios that are struggling to find a formula for consistent box

Dove, using data commissioned from Paul Kagan Associates, a respected research firm, claims its "completely debunk" film-makers' claims that films stuffed with "naked bodies, exploding heads and filthy language"

make most money.

the Hollywood rating dios never reveal, but are commonly used as rule-ofthumb measures of success, the results seem to suggest

> Of the 2,380 films given a wide US release (on 800 or more screens) in the decade to the end of 1997, only 75 were given a G rating. Walt Disney's main label, Buena Vista, provided 23 of those, with Warner Bros a distant second with 13.

Sony, which came close to collapse in the period under scrutiny, was the most prolific studio, with a total of 271 releases; it put out the In terms of return on most R-rated pictures (137) and made only four with the

> Since 1968, Dove says, 60 per cent of all releases have

ick Rolfe, the foundation's chief executive, has sent copies of the report to studio executives and mutual fund and pension fund managers, in an effort to persuade both groups to review their policles "for profit's sake".

Average gross profit from s G-rated film in the review period was \$94m, the study says, with R movies yielding only \$11m apiece and PG products about \$26m. Gross stimates of numbers stu- from cinemas, home video, of films unsuitable for fam-

According to the data, G come-back between 1993 and

production and promotion

The change in the mix reflects the studios' pursuit and PG films enjoyed a of young males, the most persistent cinema-goers, and 1996, as the number of their response to the early names such as Steve Allen R-rated releases fell to a low adoption of adult tastes by and Michael Medved, securi-Although the findings on profit is defined as the stu-profitability are based on dies' estimated revenues turned quickly, and the tally afflicted toy industry sales. mer head coach of the Dallas Effects-heavy action films, Cowboys, acknowledges this

commonly rated PG-13 or PG, are widely accepted in the marketplace as family

The Dove Foundation, supported by entertainment

shift with a less rigid stance It has given its "family approved" seal to several

serious, R-rated films, including Steven Spielberg's Schindler's List and Saving Private Ryan.

"Moviegoers are not cry-

In his opinion Frank Capra's It's a Wonderful Life and Alfred Hitchcock's North bu Northwest bear the mark

of genius. But they don't mer head coach of the Dallas ing out for endless sequels of make them like that any

ily viewing.

Europeans burn fingers on films

in Los Angeles

European insurance companies and brokers face heavy lusses from a fumbled threeyear formy into financing independent film, according to Hollywood cinema and insurance industry executives. The cost to the mainly British insurers involved in the gamble could reach \$100m this year, the execu-

More pain will follow as claims mount in a protracted shake-out expected to stem the flow of funding to unknowns hoping to produce hits such as The Full Monty.

The chickens are coming home to roost," said Lorey Hoffman, a senior vice-president with Aon, the US insurance services group. "They are not the first people who have come to this town and got their fingers burnt,"

endent insurance broker. loyds syndicates and some French insurers have been involved in the maze of new film financing techniques which has evolved in the past few years with the revival of cinema's popular-

Their expected losses, which some say could continue for another five years as multiple-film deals wind down, originate in their heavy involvement since 1996 in "gap finance". This is a way, first developed by banks, for cash-strapped film makers to obtain loans.

At the outset, earlier this decade, banks readily gave loans to producers or directors who came to them with distribution contracts or other guarantees covering about 90 per cent of their budgets. The loans, protected by insurance, would

CE Heath the British inde- be enough to cover the 10 per cent "gap". In the interim, competition

between banks and insurers looking for lucrative *special risk" business has widened the gap further.

in the worst cases, insurto 80 per cent of a film's budget, according to Mr Hoffman. Although premiums were expensive, ranging up to 14 per cent of the sums insured, the policies proved to be "inadequately priced".

Mr Hoffman, who had earlier told a UCLA Law School conference to expect a sharp contraction in the number of independent films made, said the insurers' main mistake was to ignore the laws of supply and demand in the market for movies that mostly cost 55m or less to

produced annually outside the main studio circuit had grown as much as 25 per cent since 1995.

Despite the growing popularity of the cinema and the opening of new markets, there was limited screen space for low-budget films, especially in large markets such as the US. As a result, only 5-10 per cent of indepen dent productions gained wide distribution.

Peter Hoffman, president of Seven Arts and a longtime champion of independent film, told the conference there was no need to feel sorry for insurers. "They are swimming in cash and need to take risks to look more like insurance companies than investment compa

nies," he said. any of us if it all goes

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Ottawa's Liberals look forward to easy ride

CANADIAN POLITICS GOVERNMENT FLUSH WITH CASH AND NO PROMISES TO KEEP

By Edward Alden in Toronto

Jean Chrétien, the Canadian prime minister who celehrated his 65th birthday last month, recently joked that be would retire when a certain portly reporter in Ottnwa's press gallery could beat him in a race up the House of Commons' steps. The reporter declined:

The quip nicely illustrates the position of Mr Chrétien's Liberal party, midway through its second term of office: ageing a bit, but still cucky and with no serious challengers in sight. As Canada's parliament

reconvenes today, life could scarcely look better for a Liberal in Ottawa. The most recent survey by

Angus Reid, the pollster, shows the Liberals enjoy the support of 45 per cent of Canadian voters. While this is not an overwhelming endorsement, the nearest apposition parties, Reform and Progressive Conservatave, each capture a more 15

per cent support. The government has built a fracil surplus of between est...hn and C\$10bn (1'536 libn) over the last

year, and the budget to be handed down this month will feature new spending on health care and some tax reductions.

The most remarkable thing about Mr Chrétien's away at the government Liberals has been their ability to transform the relationship between Canadians and their government, while generating little or no sustained opposition.

Since coming to office in 1993, the Chrétien government, which inherited a C\$42bn annual budget deficit, has cut public spending to its lowest real level since the end of the second world war, it has also increased tax revenues laster than any other industrialised country, mostly through such invisible means as permitting only partial indexation of per-

higher tax brackets. While such initiatives could have been expected to draw intense opposition. they have been supported by most Canadians as the umplessant, but necessary, remedies for years of budget deficits that had pushed

Canada's accumulated debt

The opposition parties, mable to move public opinion against the Liberals' economic programme, have been reduced to chipping

over a series of minor scandals that have quickly been Reform, the official opposition, is currently preoccupied with convincing the Conservatives to unite into a single party to fight the next election. But the "United

Alternative" initiative is likely to fail because of ideological differences between old Tory Conservatives and the more radical right Reformers. With a floundering opposition, the rest of the Liberals' second term looks set to be essier still. The government

is flush with cash and has sonal taxes. Which has no political promises to pushed many Canadians into keep. "Nobody's going to lambaste them for not fulfilling their obligations because they don't really have any," says Alan Alexandroff of LECG, a Toronto consulting

"health care budget". After five years of cutting annual health spending, he is set to restore C\$1bn-C\$2.5bn in funding, provided the provinces agree to spend the money on critical items such as reducing waiting lists for If the Canadian economy

most observers expect the 2000 budget will be the "tax budget", with the Liberals finally making substantial cuts to the country's high personal income taxes. With at least two good news budgets behind them,

remains healthy in 1999,

the Liberals would be well placed to call an election any Paul Martin, finance mintime they chose. At this point, the outcome does not ister, wants this year's budget to be remembered as the look much in doubt.

artist, their record company

Some MPS files contain

legal copies of non-copy-

righted material by artists

without recording contracts.

mostly obscure, young musicians, or veterans who have been dropped by their record

A growing number of art-

ists established are expected

to handle their own distribu-

tion over the internet in

future, but so far Public

Enemy, the critically-ac-

At present, by far the most

popular MP3 files are pirated

music by chart-topping acts. Lycos has "no idea

whether or not the files on

claimed US rap band, is the

only one to do so.

been posted on the internet Brian Kalinowski, product without the consent of the manager.

Record companies could

argue that, if MP3 Search, developed jointly with Fast

& Search Transfer, a Norwe-

gian internet services com-

pany, helps the public to

access pirated versions of

music on MP3 files, it will, albeit unintentionally, be

Last autumn, the Record-

ing Industry Association of

America (RIAA) marshalled

a similar argument when it

took legal action to stop Dia-

mond Multimedia, a US elec-

tronics company, from

distributing the Rio, a porta-

The RIAA lost that case

spread of MP3 piracy. It said

it would reserve judgment

fostering piracy.

ble MP3 player.

warned on complacency

South Korea risks becoming complacent about the degree to which it has overcome last year's economic crisis and it is still too early to declare victory in the battle to achieve a sustainable recovery, a senior International Monetary Fund official warned at the weekend.

The crucial restructuring of Korea's large corporations has only just begun, said Hubert Neiss, the IMF's Asia-Pacific Director in an interview. "Korea still has a difficult period ahead."

His remarks amount to a dash of cold water on financial market suphoria that the world last year and led credit rating agencies to begin restoring investment grade status to its foreign

cerns of private sector economists in Seoul who have begun to worry that the improved mood may cause the government to drag its feet on the most difficult decisions in the politically sensitive area of corporate

The restructuring of the corporate sector must go deeper than the initial deals between large chaebol con-They have parcelled out specialisations in leading sectors such as cars and electronics to give each company greater focus but not yet agreed to close down the surplus capacity that has plagued the Korean econ-

These corporations are heavily indebted to banks, ise the system. which, under the new financial regulatory environment, powerful in their ability to insist on stronger balance sheets. In the process of chaebol should eliminate

ity in a process that could still take a couple of years,

However, the debt workouts will also prove costly for the banking sector, which will require yet more injections of capital, he said. Only when the process is completed will Korea be able to boast a "self-sustaining"

Unemployment in Korea, a sensitive political indicator. has stabilised at around ' per cent, a "high but by no means catastrophic" level, he added. It should not rise further but would remain high for some time.

While Asia has made grea strides towards dealing with made Seoul's stock market its problems, Mr Neiss said one of the best-performing in he remained concerned that regional recovery could be derailed by a fresh crisis in Indonesia or by continued recession in Japan.

"The external position (in But they echo the con- Indonesia] is obviously vulnerable especially in the coming [pre-election] period because we couldn't expect a large reflow of private money of the sort that is taking place in Korea," he said. "Therefore Bank Indonesia will have to continue its policy of keeping monetary policy firm.

Mr Neiss dismissed criticisms in financial markets that the country's proposed glomerates, Mr Neiss said. bank restructuring was too costly at a price of some 30 per cent of gross domestic product, and that it allowed for the survival of too many banks. "Bank restructuring is expensive. Everybody knows that," he said. But the immediate cost to the government was the interest on bonds issued to recapital

One Asian country, which had come through the crisis have become much more well but received little credit, was the Philippines, he said. It was the only country in south-east Asia to reducing their debts, the show positive growth last

South Korea | New web music search facility unveiled

By Alice Rawsthorn

Lycos, one of the most popular internet search engines, will today unveil plans to launch MP3 Search a specialist search facility designed to make it easier for consumers to find MP3 files, the compressed sound files on which music is stored on the internet.

Downloading songs from the internet of MP3 files is becoming increasingly popular, particularly among teenagers, as an alternative to buying music on compact disc, or listening to it on the Once the files are down-

loaded on to a computer hard disk, they can be transferred on to portable players, or e-mailed to friends' com-

Lycos says MP3 files are among the five most requested internet services.



finding them, but MP3 owned large search engine, Search will be linked to Lycos is keen to make its more than 500,000 files product more attractive than which, according to Lycos, is ten times more than its clos- AOL and Yahoo! est competitor.

Workholde PC shipments

those of its rivals, such as

However, the launch could

majority of MP3 files contain mauthorised copies of copyrighted music by established acts, such as Lauryn Hill

Baghdad

attacks

move to

UN ties

US and British aircraft

yesterday attacked targets to

Iraq's southern and northern

no-fly zones as Baghdad crit-

icised a United Nations Secu-

rity Council decision to set

up three panels to review

important aspects of UN-

The US military said US

and British aircraft attacked

an Iraqi communications sta-tion in Talil, some 270km

south-east of Baghdad, and a

radio relay station in Al

Amarah, about 190km south-

east of the capital. The

attacks were provoked after

an Iraqi MiG23 flew into the

zone, set up to exclude Iraqi

aircraft and protect the Shia

The US military, which

has been given expanded rules of engagement, said

the attack would impair

Iraq's ability to send its aircraft into the no-fly zones.

The US Air Force at the

Incirlik base in Turkey said yesterday that US aircraft

north of the city of Mosul in the northern no-fly zone. In

a previous incident on Satur-

day, US aircraft struck six Iraqi air defence sites

Yesterday's clashes over

the no-fly zones came as

ing fraq's 1990 invasion of its

The UN decision was the

first concrete step taken by the Security Council since

last December's four-day US

and British air raids on Iraq.

"The work of the three pan-

els...will take months and

will mean nothing but pro-

crastination and maintain-

ing the unjust embargo on

Iraq," said an Iraqi spokes-

man after a top-level meet-

ing chaired by President

Iraq complained that it had not been consulted on the move. "Baghdad has not

been consulted on setting up

Iraqi people. The decision to

set up three panels may do

Council some time and will

clarify the effects of sanc-

tions and the remaining

work needed to be done on

A main point of contention

in Security Council discus-

sions in recent weeks has been the fate of Unscom, the

UN special commission

charged with Iraqi disarma-

ment. Iraq has said Unscom

would not be allowed back

into the country unless sanc-

tions were lifted. Russia,

which backs the Iraqi posi-

tion that Unscom is biased,

wants to see the commission

abolished, while the US is

Saddam Hussein.

around Mosul.

neighbour.

Iraqi relations.

review

and Robbie Williams. These pirate files have

MP3 Search contain copy- on MP3 Search until Lycos righted material, nor do makes the announcement we have the resources today, and it has examined to find out," according to the product.

ones containing copyrighted but has pledged to take legal

CHARGES AGAINST EX-DEPUTY PM

Malaysian judge refuses to dismiss Anwar case

NEWS DIGEST

A Malaysian high court judge has declined to dismiss charges against Anwar Ibrahim, the sacked deputy prime minister. Judge Augustine Paul ruled that Mr Anwar must defend himself against prosecution charges that, as dep-uty prime minister, he abused his powers to cover up alleged sexual misdeeds.

"After having considered the evidence relevant to the charges, I find that the prosecution has made up a case against the accused," Mr Paul said.

Defence lawyers said Mr Anwar would take the stand to defend himself and they would move now to interview Mahathir Mohamad, prime minister, as a possible witness Shella McNulty, Kuala Lumpur

HONG KONG AIRPORT

Legal advice sought on action

Hong Kong's Airport Authority sald yesterday that it was seeking legal advice on possible action against airport officials who have been reprimended in inquiries into the airport's chaotic opening in July last year.

The comments followed the publication of the third of

the inquiries into the airport's inauguration during which flights were delayed, luggage was misrouted and airport pilets ran out of water.

The most recent report was released at the weekend by Hong Kong's ombudsman, Andrew So, who broadly sounded the same themes as the earlier reports, blaming poor communication between the Airport Authority's senior management and the government. Hong Kong's main air cargo operator, Hong Kong Air Cargo Terminals Limited. was also criticised for being over-confident about its ability to start on the opening date of July 6. The airport authority yesterday said it would set up a working group to consider

us ties with India

Hopes for 'new relationship'

Senior Indian and US officials yesterday spoke positively of "laying the foundation for a new relationship" after an eighth round of bilateral talks, initially prompted by US concern over India's nuclear tests in May. But while both Strobe Talbott, US deputy secretary of state, and Jaswant Singh, India's foreign minister, expressed "satisfaction" over the three-day talks in a joint statement, no specific steps were announced on nuclear non-proliferation issues,including the US desire to see India eventually accede to the Comprehensive Test Ban Treaty (CTBT).

Instead, and underlining an increasingly positive spirit to the talks, the two sides stressed that expert teams would meet again in March, with top-level talks resurning later

After the discussions, which embrace the CTBT, Indian nuclear export controls, fissile material production and india's post-nuclear "defence postura", both sides noted they had spilled into an unscheduled third day - "the length of time devoted to these talks is unprecedented in US-Indian relations". Mark Nicholson, New Delhi

PRIVATE ENTERPRISE IN CHINA

Move to improve standing

China is set to elevate the official standing of private enterprise and the "rule of law" at an annual parliament session in March, raising the possibility of more favourable treatment for a private sector that is dynamic and yet still hampered by government ambivalence.

The central committee of the Communist party has drafted amendments to the constitution which say that the private and non-state sectors are an "important component" of the socialist economy under state ownership, the official Xinhua news agency said. The current constitution describes private enterprise as merely "complementing"

the socialist economy under state ownership. Subtle semantic shifts have often presaged great changes. The amendment, which is expected to be adopted by the National People's Congress, may help to redress the preference accorded to the ailing and ineffi-cient state sector. James Kynge, Beijing

PAKISTAN'S PARIS CLUB LOAN

\$3.3bn debt to be rescheduled

The Paris Club of official creditors has agreed to reschedule about \$3.3bn of Pakistan's foreign debt, giving it a breathing space to reform its battered economy, senior government officials said at the weekend. Ishaq Dar, the finance minister, led a delegation to Paris last week for formal discussions with western creditors. The Associated Press of Pakistan (APP), the official news agency, quoted Mr Der saying that the Paris Club had renegotiated payments on "the most concessional terms ever given to a

Finance ministry officials said that the rescheduled debt was in addition to new loans of about \$4bn committed by western donors to Pakistan. They said the Paris Club had given an 18-20 year rescheduling period on repayments of various loans owed by the country, which includes a grace period of more than four years.

 Nawaz Sharif, the Pakistani prime minister, ordered at the weekend creation of military courts across the country to combat lawiessness. Farhan Bolchari, Islamabad

US and Europe fuel global PC demand

By Paul Taylor

Strong growth of 15 per cent nputer market in 1998 was led by demand in the US and Europe and fuelled by the internet, according to preliminary figures from Dataquest, the market research The US and European PC

markets accounted for nearly 65 per cent of PC shipments in 1998. "Affordability and growing

relevance of internet content is sustaining double-digit PC growth in the US," said Bill Schaub, vice-president for Dataquest's Personal Computing and Peripherals "Dataquest's latest survey

suggests that as many as 37 per cent of US households are now connected to the internet. Compaq Computer, the

second largest computer International Business Machines, continued to lead

the worldwide PC industry

ket share in 1998. IBM held on to the number two position but Dell Computer, the direct sales pionear, continued to close the gap between itself and the

two market leaders. Dell's worldwide sales group in the world after grew by 65 per cent last

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highly successful Intellexis Finance series which has more

then 30,000 users world-wide and has been adapted by

Hewlett-Packard, focusing on margins, finished the

year strongly with 25.5 per cent growth in 1998. Dell and Gateway, which both sell PC's direct to endusers missing out resellers. posted the strongest increase in the US last year, with growth rates of 61 per cent

and 38 per cent, respectively.

"Dell has now posted 13 consecutive quarters of 50 per cent-plus growth," said Mr Schaub.

A group of the world's leading financial institutions has decided not to publish its assessment of which countries have done enough to prepare their computer

its of each year.

But the group decided on Friday that publishing its ents could be

was the information. The danger of publishing ratings which is to get countries to

encourage governments to provide detailed information about the readiness of critical sectors such as telecommunications, transport and utilities. It has already posted assessments of Switzerland, the Netherlands and the US on its web site pushing for it to continue

systems for the year 2000.

was that it could prejudice what we wanted to achieve, get up to pace," said Tim Shepheard-Walwyn, Global

Laggards on Y2K to be spared

Global 2000, which groups had initially planned to issue

The group has been struggling to raise the alarm in countries which have not yet woken up to the complexity of the problems raised by the millennium bomb. Last month it warned that "there is no prospect of the Year 2000 problem being solved" in Russia. Many banks believed the threat of a public rating was needed to good some countries into action.

these panels, therefore such a measure does not mean anything to us," the spokes-man added. The Security Council has been deeply divided over Iraqi policy since the US and British bombings. While France, Russia and China want a lifting of the oil embargo, the US and UK are opposed to lennium testing plans. such a move but agree that measures must be taken to alleviate the suffering of the

are withdrawing capital. What we really needed

Baghdad criticised the UN Security Council's weekend decision to organise three panels to assess disarmament work, the conditions of Iraqis under the eight-year UN sauctions and the accounting of missing Kuwaitis taken hostage dur-

250 of the world's biggest banks, insurance companies and securities companies, public ratings of each country's readiness for the millennium bomb, which threatens to jam computers which record only the last two dig-

counter-productive because it might discourage some countries from co-operating with it in disseminating information about their mil-

Some central banks have also warned the group that a negative public rating could add to the financial instability of some emerging markets, notably in Latin Amerkets, notably in Latin America, which are already in difficulty because investors members of the Security

Global 2000 continues to

playing a role in Iraq.

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INTERNATIONAL FINANCIAL SYSTEM

Differences emerge over reform



By Robert Chote, Economics Editor, in Davos

Global efforts to reform the architecture of the international financial system are being hampered by differences of opinion about both the broad approach and the details of specific proposals, senior policymakers indicated at the World Economic

Finance ministers from the Group of Seven leading industrial nations meet in Bonn in three weeks, con-scious that they need to demonstrate significant progress since they outlined their reform agenda in October. The collapse of Brazil's axchange rate peg last month has made a convincing response to the emerging market financial crises all the more urgent.

Robert Rubin, US Treasury secretary, told the annual gathering of policy-makers and business leaders in Switzerland on Saturday that plenty of thought had gone into reform, but there were no magic wands or easy answers. "Widely discussed reforms that sound attractive on the surface, on full examination often raise serious questions to which there are currently no good answers," he warned.

Mr Rubin was particularly scathing about the use of early warning systems to put pressure on countries that showed signs of getting into trouble: "Nothing in my 26 years on Wall Street or my six years in government predictive capability even otely reliable enough for such a system." He added that an early warning could trigger the very crisis it was

He was also wary of forcing countries to "prequalify" for assistance in crises by meeting preset policy standards. He said the idea should be investigated, but

"there are a number of difficult questions that must first be answered," including the identification of sensible policy requirements.

Gordon Brown, the UK chancellor, repeated his call for a standing committee on global financial regulation, which would comprise international and national supervisors. Hans Tletmeyer, the Bundesbank president, is completing a report on this proposal for the Bonn G7 meeting, but officials said he was likely to dissent from the Brown blueprint by playing down the role of national regulators.

Most international regulatory bodies have indicated they would participate in such a committee, but Mr Tietmeyer is expected to recommend that national regulators should take part by invitation rather than by right. In part, this reflects the fact that some countries, notably the US, have no lead regulator. The US, meanwhile, is said to favour at informal taskforce instead of a formal committee.

Mr Rubin also argued that hedge funds should not be demonised for their role in the recent financial crises. arguing that domestic capital flight was often a more important factor. He argued that the role of hedge funds should be addressed "as part of a broader review of financial institutions with respect to leverage, the appropriate scope of prudential regulation, risk management and disclosure".

Other areas of controversy included the role of capital

Mr Rubin also again rejected calls by Germany and Japan to consider co-ordination of exchange rates among the leading economies, perhaps through target suggests that there is any zones. "The floating exchange rate system is the worst possible system. except for all the others," he

In addition, he warned that the co-existence of the large -US current account deficit with big surpluses in Europe and Japan could not be sustained indefinitely.

Americans show up in full force

Davos seriously this year. Heavy snow on the first couple of days grounded the executive choppers but an executives of Fortune 500 companies have made the

annual pilgrimage. However, the relative proportion of Fortune 500 CEOs was dwarfed by the US government contingent. Al Gore, the US vice-president, brought four US cabinet members, plus the State Department's Stuart Eizenstat and US Treasury's Larry Summers. Hard to know who has been left in Washington to run the ship of state.

The heavy turnout is part of the US strategy of proving that it is fully engaged insolving the world's problems and show the Europeans that it remains a very active partner. However, within the US delegation there were signs of occasional tensions. Al Gore's comment about the US being the "importer of last resort" caught the David Hale, Zurich Insur headlines. But the pugnacious Larry Summers insists he coined the term first. Robert Rubin, the US Treasury secretary and ex-Goldman Sachs hot-shot, won high marks for his comments on the world's financlal crisis.

One CEO was heard to comment: "Gee, if only that a rally in the gold price, they guy was Japan's finance ninister "

322

When was the last time that a British chancellor of the exchrquer turned up at Davos? This year, not only did Gordon Brown put in an appearance but so did his predecessor, Ken Clarke, But ruess which one attended Klaus Schwab's annual exotic banquet on Saturday

The Americans are taking headed home but not before commanding a flunky to collect copies of every speech given, so that he had something interesting to read.

Of all those in the UK contingent, Howard Davies. chairman of the UK's Finanseems to be most at ease in this global talking shop. He is the conference's rapporteur along with Senator John Kerry from Massachusetts. But it has not dented Davies' sense of humour. Chairing a session on managing financial crises, he called on Frank Newman. boss of Bankers Trust, currently being acquired by Deutsche Bank. Davies introduced Newman in German with the passing quip: "You are going to have to get used to this, Frank."

000

ance's fast talking chief economist, likes the look of the Basle-based Bank for International Settlements. the central bankers' central bank that has its own gold bars, it is listed on the Swiss exchange and its shares sell at half book value and yield close to 4 per cent. If there is could double or triple, says Hale. Meanwhile, Princeton's Professor Alan Blinder's advice on stock market bubbles is that "if anything becomes more expensive than California, sell it". Talking of internet stocks, the most popular Davos recommendation for Brazil's financial woes was to rename the Brazilian currency

William Hall

US puts emphasis on liberalising markets

Until recently, the global economic crisis threatened to breed rancour between the US and its main trade partners, as Washington castigated them for failing to absorb more imports while sending disconcerting signals about its commitment to resist protectionism at

headed by Al Gore, vice-president, has delivered a far more positive and outgoing ige. Its essence is that the US is determined both to keep its own market open and to promote global recovery by leading a drive to lib-

eralise world trade. True, frictions persist. US officials are still deeply dissatisfied with Japan's - and to a lesser extent Europe's efforts to boost growth, and complain that the US cannot be the "world market of only resort". They also continue to wrangle with the Euro-

But in Davos, they soft-But in Davos, the US team ened their tone in public, while seeking to dispel concerns that the US might be overwhelmed by its role as the main engine of global growth and forced to turn inward.

At every opportunity, they emphasised their determina-

ally engaged.

Indeed, Charlene Barshefpean Union over its banana

and stability.

US trade official for years,

That may not entirely

lavishing praise on its con-

sky, US trade representative, insisted Washington wanted to go further. As well as pledging firmly to resist protectionism at home, she promised to submit the much criticised unilateral use of US trade sanction laws to the restraint of World Trade Organisation rules. She backed this up with the warmest endorsement of the multilateral trade system by any senior

cerns about her recent reinstatement of "Super-301" powers to monitor their trade practices. But she strongly implied that the purpose was less to frighten foreigners than to pacify US industries exercised about cheap import competition. Furthermore, she warned them not to expect US action

tices always to bring relief, when keener competition often resulted from unavoidable currency devaluations in emerging economies. Ms Barshefsky said that

against "unfair" trade prac-

tribution to global prosperity the Clinton administration was fully prepared for a fur-

rules against the amended

tion to remain internation- quell other countries' con- the US trade deficit this ment proceedings on Mr year. But she said that the worsening imbalance so far was due more to a fall in exports than to a rise in imports, which were growing more slowly than a year ago. She also emphasised that differences with the EU over bananas should not frustrate efforts to

strengthen transatlantic

co-operation, particularly

over a new trade round. But how far does the change in US attitudes go beyond rhetoric? Part of the answer may lie in how effectively Mr Clinton fights for renewed "fast-track" trade negotiating authority.

long viewed fast track as an that commitment now. Mr Clinton's advisers may calculate that they are ensuring against the risk that continued failure to win fast-track would create doubts about

rate highly the chances of

Other governments have

emporary reprieve won in bananas dispute

By Frances Williams in Gensva

European exporters of greetings cards, cashmere sweaters, plastic handbags and other goods targeted by the US for punitive duties today over the European Union's banana import regime have won a temporary reprieve until mid-

Under the terms of a makeshift compromise

thrashed out at the World Trade Organisation in Geneva late on Friday night, Brussels asked the WTO to arbitrate on a US request for authorisation of \$520m in trade sanctions on EU goods. The move postpones the

threat of retaliation until the arbitrator has reported, giving the two sides more time to settle their differences bilaterally

to proceed in the dispute had paralysed the work of the WTO for over a week, and called into question the authority of the world trade body to settle disputes on the basis of internationallyaccepted rules.

Brussels will now begin formal talks with Washington on the EU's arrangements for importing bananas, which favour African, Caribbean and regime, which came into

argues that the EU has not done enough to modify its work by April 12. regime to comply with

earlier WTO rulings, which WTO centred on whether the found unfair discrimination US could request WTO against Latin American authorisation for sanctions bananas and their US without a panel decision. WTO rules in this area are distributors. However, EU officials have made clear unclear and have never they will not implement before been tested. changes unless a WTO panel

US officials insisted on Friday that the arbitrator, in practice the same panel that banana regime is illegal.

Pacific countries. The US force on January 1. The is reviewing the banana panel is due to complete its import system, must make a decision on the amount of March 1, following which the US needs at least 10 days to put authorisation back on the WTO agenda. It cannot

> then be refused. The EU says the panel will not be in a position to make an arbitration ruling until it has decided whether the

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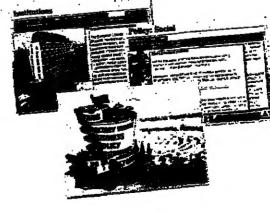
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Tax loophole closed after BP and Amoco deal

British Petroleum and Amoco of the US escaped paying more than \$800m (in duty on their recent merger thanks to a loophole in the UK tax laws belatedly closed by the government at the eekend to stop a rush of

similar deals. Patricia Hewitt, economic changed the law from mid-

YEAR 2000 FESTIVITIES WILL LIFT OUTPUT

boost forecast

Millennium

for economy

A mix of unprecedented new

year festivity and feverish

efforts by business to solve

the millennium computer

bomb will give the faltering

UK economy an unexpected

short-lived and may leave a

But the lift is likely to be

Lavish spending on millen-

nium parties, winter holi-

days and government-backed

projects is likely to help lift

economic output in 1999.

according to the National

Institute of Economic and

Social Research. Household consumption could increase

sharply in the fourth quar-

ter, giving retailers and the

consumer services industry

The institute said that

overall, the effect could be

big enough to add a quarter

of a percentage point to real

gross domestic product for

the year as a whole - equiv-

alent to about £2bn (\$3.30bn)

Consensus forecasts sug-

gest the economy is set to

achieve 0.6 per cent growth

this year, a sharp slowdown

from 1998. But evidence is

growing that the millennium

could distort spending

a a welcome boost.

boost this year.

throbbing hangover.

ing Budget - to protect projected 1998-99 revenues of from stamp duty reserve tax.
It looks likely that two other cross-border deals the merger of Astra and Zeneca and the purchase of AirTouch Communications of the US by Vodafone, the UK mobile phone company have also beaten the change secretary to the Treasury, in the law, with the result that the government will night on Friday - promising lose more than \$2bn.

Estate agents have reported

increased activity in the let-

tings market for the year

end. Consumers are expected

to spend less on holidays in

the summer, preferring to

save up for New Year's eve.

Brewers and champagne pro-

ducers will also benefit.

There was a similar, if more

muted, effect from last

year's World Cup soccer

prompted a switch towards

defuse the millennium com-

puter bomb, which stems from the inability of some

programs to move on to 2000.

is also expected to lift out

put. Estimates of how much

will be spent to solve the

problem range from £25bn to

£60bn and investment will be

The Office for National

Statistics suggests part of a

surge in imported electronic

goods apparent in the latest

official trade data may be

due to spending on defusing

the 2000 bomb.

spread over several years.

Efforts by companies to

buying new televisions.

competition,

panies to avoid stamp duty reserve tax - levied at 1.5 denominated in a foreign currency and held in a depositary or clearance sys-

The exemption has existed since 1969, but was not designed for such transactions. Inland Revenue officials said it had recently been used in a high-profile deal and this had resulted in it becoming popular.

The Revenue said the City and Swedish pharmaceuti-had expected the loophole to cals groups, said that, be blocked in next month's Budget and action had been taken sooner "to provide cer-

BP and Amoco's £30.3bn

merger used the tax planning techniques targeted by the Revenue in its statement. on Friday. The change in the so their \$800m saving is safe. Senior executives involved in the \$35bn merger of Zeneca and Astra, the UK

cals groups, said that, although their deal was not complete, a concession in the Revenue statement appeared to allow them to go ahead as planned as they were well advanced.

"Our understanding is that this will not affect our "If things change, the company will bear the liability. not the shareholders." It is

chase AirTouch for \$62 are understood to be confident that they have also beaten the change in the law. It is understood \$800m in tax would have been due. "It looks like they got under the wire. This is

money which they can use in developing the business." the Vodafone deal. The success of the compa-

fone, the UK-based mobile strengthen support for mea-phone group in a deal to pur-chase AirTonek for mea-Exchequer, to enact a catch-all anti-avoidance law allowing such schemes

to be stopped more quickly. also prompt calls for the abo-lition of the tax entirely as it is not levied by the US or several European countries. This will make it more difficult to do deals like this,"

No sooner has it arrived

than the rampant bird

engages in amorous activity

with the endangered white-headed duck, which

finds its British counterpart

find by **Customs**

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By George Parker, Political Correspon

the European parliament for the opposition Conservative party, who was caught with drugs and gay pornography at Heathrow airport near London, yesterday announced he would not seek re-election in June. Mr Spencer faced ques-

tions from the new Conservative ethics committee later this week, and would almost certainly have been barred from standing in any case. The MEP yesterday toured broadcast studios in an

attempt to explain his "sheer stunidity" and to try to save his political career. But senior Conservatives made it plain they did not look kindly on an MEP who

had brought further problems to the party at the and of a particularly fraught Mr Spencer, who says he is gay, was fined £500 (\$825) in an out-of-court settlement by the Department of Customs

about it. I'm not claiming to

& Excise when he was found becoming more exotic in its with pornographic maga-13 countries. Ministers fear zines, a video and two cannabis cigarettes. it will soon cause maybem He denied being a cann bis user, explaining in a BBC interview: "I'd accepted some in Amsterdam in a social situation and forgot

> have been wise - I have been extremely stupid and thoughtless in coming home and not throwing the stuff Party officials said they wanted to draw a line under the affair at the earliest

> > opportunity, and said Mr Spencer's case would be referred to the ethics com-However, few believed Mr Spencer could survive as a candidate in a party that. in spite of attempts by William Hague, its leader, to

and pornography. Mr Spencer will remain an MEP until the June elections

Lust-crazed duck comes under fire

By George Paricer is London

The government will today declare war on the lustcrazed ruddy duck, which is wreaking ecological havoc ecross Europe from its base in Britain.

Michael Meacher, environment minister, will issue orders to marksmen to start hunting down the fowl, which emits a distinctive beich rather than the traditional quack.

Its anti-social behaviour does not stop there. Like some of its British human counterparts, the ruddy duck heads off to Spain once a year to engage in an unwelcome orgy of sex and

unaccountably attractive. The offspring of this ornithological holiday romance is a fertile hybrid. Numbers in Spain are once again under threat. To make matters worse, the ruddy duck is

travel tastes and now visits

in key breeding sites in Turkey if no action is taken. Continental European countries have been pressing Britain to act for several

BUDGET SUBMISSION COMPANIES CALL FOR £1bn FISCAL PACKAGE TO HELP ENTREPRENEURS

Minister urged to cut capital gains tax

and Richard Adams

British business is to urge Gordon Brown, the chancellor, to overhaul the capital gains tax system as part of a £1bn (\$1.65bn) fiscal package The British Chambers of

The effect of the bomb itself, when it strikes, is extremely difficult to predict. But the economic impact could be both bigger and more unwelcome after the turn of the century.

could do more to help small companies. A lower CGT rate, it argues, would encourage wealthy business angels" to invest in smaller diverting funds offshore.

Holiday romance: the rampant ruddy duck engages in amorous activity every year in Spain

The BCC, representing Commerce told Mr Brown in more than 100,000 compaits Budget submission, pubnies, is also concerned the lished today, to cut the capinew taper for capital gains uals from 40 to 20 per cent. 10 years are taxed at an

is complex and too long. Instead, it says, no CGT should be charged on business investments after five attractive to avoid tax by other companies and still qualify for the taper.

tal gains tax rate for individ- under which assets held for posals would not be costly.

It says the government effective rate of 24 per cent - other recommendations, the years. Investors should be annual capital spending by enterprises by making it less 'able to shift holdings into small companies...

> The BCC says the tax yields about £1.4bn in are planning to reduce annual revenue for the government, and says the pro-Taken together with its

government would lose £1bn. The BCC submission also Its survey of 770 manufactururges a 100 per cent tax break for the first £250,000 of The BCC's proposals come

as many small and medium investment in plant and machinery and to continue cutting jobs, according to a

mer of hope", the CBI said. ers with 500 employees or less found the recent drop in activity might be about to ease. Companies have become less gloomy about their prospects.

The CBI repeated its call for a further interest rate cut the Bank of England holds its monthly monetary policy committee meeting on Wednesday and Thursday.

and remain as a member of



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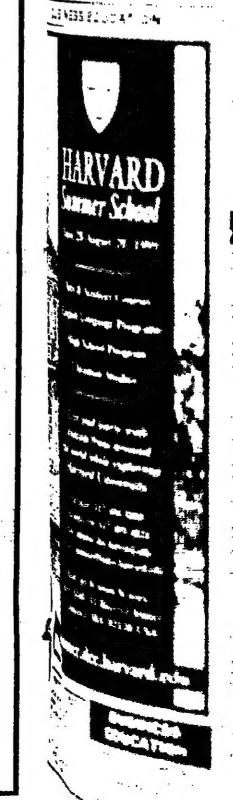
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It is open, for a period of 45 days, the prequalification contest of entities willing to perform evaluation studies of enterprises in the public sector, and to give technical assistance in the privatization operations to be held in Portugal.

The provisions which regulate the contest were approved by the regulation number 664/99 (2nd Series), of the Chancellor of the Exchequer, of 98.12.29, published in the official newspaper, 11 Series, number 12, of 99.01.15, pages 542 to 544.

The people concerned must present, according to the situation, the applications or the declarations mentioned in item 2.1 of the aforesaid regulation, until 17H of the 99.03.01, at the "Inspecção-Geral de Finanças" - Rua Angelina Vidal, 41. 1199-005 Lisboa Codex". The applications/declarations can be sent by mail, within the terms stated in the respective provisions.

Any question concerning these procedures must be presented to the Commission, by writing, at the address above-mentioned, or by the Fax number 351/1/813 87 42, till the 99.02.15.



INSIDE TRACK

PROFILE RUDI BOGNI, CHIEF EXECUTIVE UBS PRIVATE BANKING

Private banker with unorthodox ambitions

UBS is counting on one division to earn half its profits by 2002. William Hall talks to the man in charge, with \$10bn to spend on acquisitions

Italian-born boss of UBS top of the world. He is in charge of the lewel in the UBS crown. He has just been promised \$10bn for banking side of the business. Investors were left with no doubt

UBS's enthusiasm for private

Indeed, some analysts have

Facts of life; born October 2,

University, doctor of economics

Career: mostly upwards with a

Educated: Milan's Bocconi

and business administration.

few sideways moves. Chase

Greecs, Germany, New York.

Midland Bank, 1980-90; one of

Manhattan (1972-80), Italy,

several ex-Chase bankers

brought in to shake up what

used to be the LIK's biggest.

bank - posts included head of

international division and group

obvious Midland was going to be

Swiss Bank Corporation (SBC) in

operation. Mid-life crisis? Two-and-a-haif

tressurer. Quit after it became

taken over by HSBC. Joined

1990 as head of London

1947.

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Last year's third-quarter loss banking, an unorthodox view in and the resignation of four top executives including Mathia Cabiallavetta, UBS chairman, under-scored serious weaknesses in the bank's risk management procedures. The strategic review announced last week said UBS would concentrate on "high-quality asset-gathering businesses in

The bank has cut by a third its profit targets for investment banking and institutional fund areas where it has global ambitions, and it plans an "aggressive expansion of domestic private banking in European core mar-

UBS insists the changes are only "fine-tuning". The figures tell a different story. The bank has earmarked SFr500m for investment banking acquisitions, compared with SFr5hn to SFr7hn for acquisitions in Mr Bogni's private banking empire.

UBS is counting on its private banking division to earn half the group's profits by 2002. It wants to add another SFr550bn to the SFT700bn of private bank assets it land. has under management during the next four years.

The challenges facing Mr Bogni should not be underestimated. For a start, his background is in investment banking, rather than in private banking, a more recent career move. Second, he believes ing for Raúl Salinas, the jailed in economies of scale in private elder brother of Mexico's former

years ago career at SBC,

smallest of the big three Swiss

banks, appeared to have hit the

sabbatical at London's Imperial

College to swot up on financial

options theory so that he could

understand what his traders were

doing with the bank's money on

return to investment banking was

a wise move plann the way UBS.

has since clipped Warburg Dillon

Reed's wings. In July 1997 took

charge of SBC's private banking

business, not normally regarded

as a fast track to the top. Six

months later SBC announced

merger with much bigger UBS,

and Bogni named head of private

banking which doubled in size.

Lucky streak: decision not to

his return.

buffers. He took a 15-month

president Carlos Salinas. One of Mr Bogni's responsibili-

ties will be to safeguard UBS's reputation by careful selection of clients; an imperative that fits ill business rapidly.

Mr Bogni believes that increas ing the scale of his private banking operation, in an industry where niche operators have traditionally excelled, is not a disadvantage. Quite the opposite. He forsees consolidation. "If you look at the top five names in global investment banking, the same is going to happen in private banking," Mr Bogni says.

"The personal matters of our clients are increasingly complex and size allows us to deliver services in a much more cost effective manner. The danger is that size might spawn a bureaucracy. But I believe that with an organisation of 8,500 people, we have no more bureaucracy than manage ment consulting partnerships like McKinsey, or Bain & Co. If they can run efficient organisations, I see no reason why we cannot do the same."

That is not a view shared by UBS's smaller competitors.

Thomas Baer, chairman of Zurich's Julius Baer, does not accept that the pace of consolidation in cated in private banking.

"Big is not necessarily beautiful," he says. "Our biggest danger is that we are too successful and forced to grow too quickly. Thereby we lose the personal touch."

Mr Bogni does not deny there is a role for private banks like Julius Baer, but he believes that asset-gathering giants like UBS will have a competitive edge, particularly in Europe where total assets under management are forecast to increase from \$8,000bn to \$38,000bn in the next decade.

He is looking forward to increased competition in areas such as internet broking services for wealthy clients. "It should affect our competitors, particularly our US competitors, dramat- to expanding its US operation. ically. Those that come from the sions and rely on commissionbased salesmen. The sooner they feel the pressure from internet broking the less money they will have to invest in expanding their private banking franchise."

Nevertheless, Mr Bogni is ucts to woo wealthy customers under pressure to prove that he away from Merrill Lynch, Gold-

can come up with a winning man Sachs, and Morgan Stanley. have to rely on US investment strategy for cracking the US mar- He will also tap into UBS Brinket. Credit Suisse has already son, the group's institutional withdrawn because it lacked critical mass, but UBS is committed

The US is home to UBS's most brokerage side are trying to back serious long-term competitors: others, so we are looking out for electronic discount broker. Given __themselves into private banking. the private client operations of acquisitions," says Mr Bogni. It But they still live off commis- big US investment banks. This is will have to be a very sizeable why Warburg Dillon Read, taken acquisition to make a dent in the over when UBS merged with Swiss Bank Corporation last year, is so important to UBS Private Banking. Mr Bogni says he will create new investment prod-

asset management operation, for the best investment advice.

"We believe in our ability to manage this business better than imbalance between UBS's onshore and offshore businesses.

In theory UBS could have a two or three preferential invest-

Bre.

Whether Mr Bogni can expand the business successfully will in the end depend on his ability to understand the peculiarities of private banking - a culture built vice and long-term relationships and which differs considerably from the ethes at results-oriented investment banks.

"You have to be born a private stand-alone private bank with banker really to be able to do it two or three preferential investment bank relationships, says Mr Bogni disagrees. He is out to Bogni. But it would probably prove he can do things his way.

Private Banking, feels on

acquisitions. And following a big corporate review announced at UBS last week, private banking is set to grow in importance at the expense of the riskier investment that Mr Bogni is the second most powerful banker at UBS after management, the only two other Marcel Ospel, the chief executive.

banking is understandable. It is twice as big as Credit Suisse, its nearest Swiss competitor, and Switzerland is by far the biggest centre for offsbore private banking, which handles the financial equirements of wealthy individuals who typically have more than SFrim (\$430,000) to invest.

Private banking profits are far less volatile than those in investment banking, and because the fees charged for managing private portfolio accounts are so much higher, the margins in private banking can be seven times greater than in institutional asset management, where big volumes command lower fees.

questioned whether UBS ought not to jettison the rest of its businesses to concentrate on private banking, where it is the undisputed world leader.

a niche that has traditionally thrived on personal relationship between the banker and his clients. In addition, UBS's strength is in offshore banking - investing for non-residents - rather than onshore private banking, which is bigger and growing more rapidly than offshore business.

Finally, Switzerland's advantages as a banking safe-haven for wealthy customers - a key reason why it retains a one third share of the offshore private banking market - are on the wane. Low inflation, a strong

Mr Bogni says he will create new investment products

to woo wealthy customers

currency, and political stability are no longer unique to Switzer-

Many US and European tax authorities regard Switzerland's investment banking will be replioffshore private banking industry with suspicion. The reputation of Citibank, one of UBS's biggest competitors, has been tarnished by allegations of money launder-

Favourite food: italian - "it's

light and healthy". Runners up: traditional Turkish, French and

Chinese cooking. Very fond of Japanese cuisine - "I like things

Fevourite holiday destination:

sunshine, olive oil, good bread

Fevourite dreams taking over

is now bigger than that of Merrill

Lynch, there is more chance of

Schwab taking over UBS over

the long run. But things could

change, and Bogni has been

"Any country that offers

Charles Schwab, the US

that Schwab's market

capitalisation of \$27bn

promised \$10bn for

acquisitions.

and wine."

Essential guide to Rudi Bogni



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TECHNOLOGY ELECTRONIC NAVIGATION SYSTEMS

Devices to help put you on the map

These systems marry DVD

system use satellite commu-

nications to determine

where you are and then

Getting lost may soon be a thing of the past thanks to a range of car navigation systems, writes Geof Wheelwright

You are lost in based on using only a single-Tokyo, one of the sided, single layer of a DVD largest cities in the disc - which limited the world - and one that presents vast navigational chalenges for the uninitiated.

You do not want to offend your Japanese customers by being late for an urgent business meeting with them, but yield 8.5Gb of storage neither do you want to abandon your rental car. As you drive around looking for a for home use. familiar landmark, you realise that what you need is and GPS by having the GPS an electronic navigation system.

devices are becoming using map data from the increasingly popular as mobile digital navigation based on GPS (Global Positioning System) technology begins to take off. in Tokyo, you can see a

On sale in Japan, such

bewildering range of such devices from leading consumer electronics manufacturers such as Alpine, Casio, Panasonic, Pioneer, Sharp and Sony.

Most of these store the mapping information on CD-Rom or in flash memory, but one of the latest is a family of navigation products from Pioneer that harnesses the much higher storage capacity of Digital Versatile Disc (DVD) tech-

The Pioneer DVD Car Navigation System combines DVD-Rom storage with colour LCD map displays and GPS pavigation technology. These systems are designed to ensure not only that you know where you are at any given moment - but also how that relates to reaching your destination.

Pioneer introduced a DVD Car Navigation System in Slow poing the systems can June 1997, but that was help in route-pla

DVD drive to display that information on a built-in colour LCD display. The onboard computing power controlling the DVD drive may be used to retrieve and display live traffic information and do some route detailed road maps, sightseeing information and back-You do not even have to

ground data that could be take your hands off the stored on it. The latest wheel to do this since Piodevices use single-sided, neer offers a voice recognidual-layer disc technology to tion option that lets you give instructions to the navigation system. which exceeds the hard disc Pioneer offers an option on capacity on most new PCs

some models to use an FM

multi-channel tuner, VICS

(Vehicle Information Communication System) and DGPS (Differential Global Positioning System) signals for quicker and more accurate positioning information. Prices range from Y200,000 (£1,100) to Y300,000, depending on which model you take with which options. But Pio-

neer expects significant sales

and announced initial production runs of about 10,000 units per month for all mod-Similarly, Matsushita, (which trades as Panasonic) recently announced that it too had launched a DVD car navigation system with built-in DVD-Rom. The system also claims compatibility with existing DVD-Rom

production is also 10.000 units. Using the DVD-Rom system, Matsushita says it can store the entire "25m/50m scale all-Japan 630-city detailed map" on a single disc, and achieve high-speed search and access 40 per cent faster than conventional systems. The DVD map software is also apparently able to search for addresses by phone number.

alphabetical entry.

and CD-Rom disks and costs Y200,000. Initial monthly as well as by Japanese

PUBLIC NOTICES

Notice Published by the Secretary of State under subsections 8(5) and 10(6) of the Telecommunications Act 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to IFC Global (UK) Ltd., ICO Global Communications, PLDnccoppess Limited, Tele2 Communications Services Limited, Carrier One Limited, Telia UK Ltd, Swisscom (UK) Limited and USA Global Link (UK) Limited ("the Licensees") to run selecommunications systems in the United Kingdom. The licences to be granted to IPC Global (UK)
Lid, ICO Global Communications, PLDecompass Limited, Tele2 Communications Services Limited, Carrier
One Limited, Swisscom (UK) Limited and USA Global Link (UK) Limited will each be for a period of six months, thereafter being subject to revocation on one months notice. The Licence to be granted to Telia UK Ltd will be for a period of 25 years subject to certier revocation in specified circumstances.

The principal effect of each of the licences to be granted to IFC Global (UK) Ltd, ICO Global cations, PLD accompass Limited, Tele? Communications Services Limited, Carrier One Limited, Swisscom (UK) Limited and USA Global Link (UK) Limited will be to enable each of those Licensees to

install and run relecommunication systems in the United Kingdom which may be connected to telecommunication systems outside the United Kingdom and to provide a wide range of services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each licence authorises connection to a wide range of other systems, including earth orbiting apparatus.

The principal effect of the Licence to be granted to Telia UK Ltd will be to enable Telia UK Ltd to install and run telecommunications systems throughout the United Kingdom and provide a wide range of services but excluding mobile radio services and certain international services. This licence authorises connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international service. On securing a share of 25% or more of the market in respect of particular services in communication services to all who reasonably request them within that area

Each licence will be subject to conditious such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Acr. It is the intention of the Secretary of State to designate each of the Licensecs systems

The Secretary of State proposes to grant each licenses in response to an application from each licenses for such a bloome because be considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services and will maintain and promote effective competition between those engaged in

He proposes to apply the telecommunications code ("the Code") to Telia UK Ltd subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that Telia UK Ltd will have duties:

(a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above ground apparatus as is already installed for any purpose; (b) to comply with conditions designed to ensure efficiency and economy on its part, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus; (c) to consult certain public bodies before exercising partienter powers under the Code, including the local

nning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers; (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in its licence to its powers under the Code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street

The reason why the Socretary of State proposes to apply the Code to Telia UK Ltd is that Telia UK Ltd will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be

installed and run under its proposed licence. The reasons why it is proposed that the Code as applied should have effect subject to exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible and that Telia UK Ltd can meet (and relevant

persons can enforce) liabilities arising from the execution of works. 9. Representations or objections may be made in respect of the proposed licences, the application of the Code to Telia UK Ltd and the proposed exceptions and conditions referred to above. They should be made in writing by 2 March 1999 and addressed to the undersigned at the Department of Trade and Industry. ations and Information Industries Directorate, 2.80 Grzy, 151 Buckingham Palace Road, London, SWIW 9SS. Copies of the proposed licences can be freely obtained by writing to the Department or calling

0171 215 1756. Alan Proud



Hello dear readers!

Greet your chair, chat to your window and if you want to go really feel crazy, why not give your colleagues a massage

Good morning kettle! Hello keys! How good of you to be just where I can find you. This morning I have been greeting objects around the house following a tip-off from a friend who works for one of the world's most

successful organisations. The company has just sent him on a training course called Breakthrough Mind, Breakthrough Body, and he has told me all about bow marvellous he feels.

Together with 50 of his colleagues, from vice-presidents to secretaries, he spent a day in a tracksuit loosening up shedding that stress until his mind was ready for breakthrough results. For a start he trotted around the room saying hello to windows and chairs. Then he had to greet his colleagues as if they were long-lost friends he had not seen for 10 years. Finally and this is the really gruesome bit - he had to pair up with a colleague and

give and receive a massage. That very day I had been reading about how the staff at St Luke's, the ultra-trendy advertising agency, love to massage each other. But the idea that it was spreading to blue chip companies is sad news. What is going on? Last week I wrote about the

"human moment", which is a fancy phrase to describe the need for workers to meet occasionally. But this is worse by far, suggesting that we have lost any idea of how to relate to our colleagues in a normal way. I like my colleagues. I work well with them. But massage? No thank you.

I try never to think about stress, and never go on stress courses, because by far the most stressful thing in life is worrying about how stressed you are. Just as insomniacs must never fret about how little sleep they are getting, so it is a bad idea for people who are under any sort of pressure to about that pressure. The stress management industry, instead of making matters better, tends to make it

much worse. But now I see that our obsession with stress has reached new heights. I was lying in the bath the other day, idly reading the

packaging of some expensiv new shampoo I had just bought. And to my alarm I read on the bottle that it is not just busy people who suffer from stress, but their busy hair does, too. According to Nicky

Clarke's Hairomatherapy shampoo, hair - especially that of celebrities - gets stressed out, and this shampoo helps it recover. Hair is dead, and I had thought therefore it was beyond stress. How wrong. I discover my hair reacts as hadly to stress treatments as I do. One wash with this fancy shampoo and it is looking just as I would look if I had to give a massage to a colleague: distressed.

The middle manager is back in fashion. If you are a middle manager, this may be news to you. But according to a report from PwC, the world's largest professional services organisation, the middle manager has never been more important. At least, I think that is what the report says.

The consultancy has studied the middle managers of five countries and concluded that they are "increasingly the linchpin of strategic and competitive competence". Even more mysteriously, they are "stabilisers who make real change possible and the source of real-time strategies". Some middle managers, especially in the UK (where I suspect we mosn more than other people), feel undervalued; the solution, suggests PwC, is to "enrich the role mix". But then as I looked to the back of the report it all became clear. It is written by

two consultants, one of

whom is described as "a

EDUCATION APPOINTMENTS

University of Oxford

Said Business School

The Sald Business School, the University of Oxford's business school, is in the process of

establishing itself as one of Europe's leading centres for management education. The School

is taking full advantage of being integrated into the heart of one of the world's greatest

universities in developing its programme of teaching and research. By 2001, it will have a

The School is engaged in a major expansion of its undergraduate, postgraduate,

executive education and research programmes. As part of this process, it is seeking, in

new £25 million building that will provide outstanding facilities for faculty and students.

people do, it is not at all surprising that it makes such a meal out of describing the jobs of others. In the same post I got a booklet from another consultancy, Bridgewater. This publication goes to the other extreme in offering simplistic, formulaic

member of the Global Leadership Team in the capacity of Development for

the Strategic Change area".

impressive title. He is

"Global Leader of the PricewaterhouseCooper:

Full Value Procurement

priority service team".

If a company cannot manage to offer a clear

description of what its own

solutions based on the sound bites from 20 esteemed business leaders. Yet out of these sound bites some interesting contradictions emerge. The leaders all pay lip-service to the fashionable view that it is essential for them to be surrounded by people who will contradict them. Dan Wagner, chief executive of Dialog, puts it: You need people to challenge you by saying: That's not the right way to

truth of the matter comes out rather more strongly. Those who do not agree with the strategy need to be fired. "It's important to deal with what I call 'blockers' people who are not happy with the vision - because they tend to subvert the commitment of those around them," says the chief executive of English China Clays. The sooner you fire these people the better, echoes the chairman of Unisys. So there you have it. Criticise if you dare, but you better be prepared to back down quickly. Otherwise it could cost you your job.

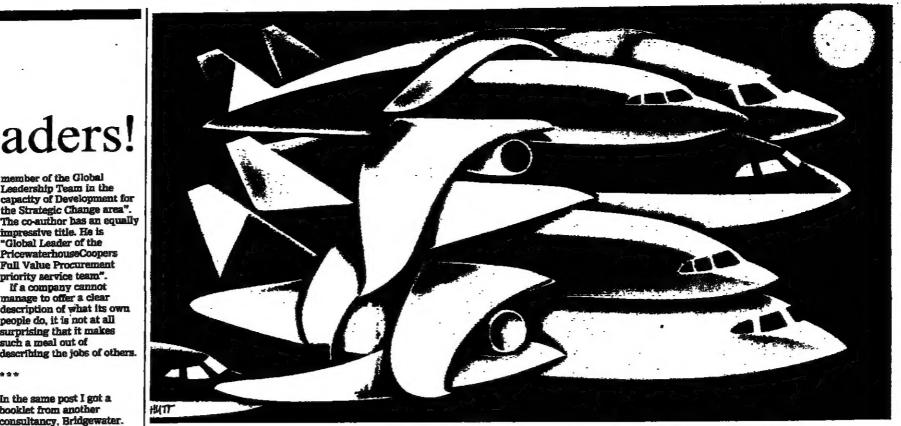
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HE ATTEMPTED TO GIVE THE CHARMAN,

A STRESS-RELIEVING MASSAGE



do this... But on the next page the



BUSINESS TRAVEL NEW AIRLINE ALLIANCE

Oneworld, lots of benefits

Roger Bray looks at the advantages of a deal that has satisfied competition authorities and hopes to do the same for customers

ways, American Airlines and three other international carriers, comes into effect today offering huge benefits to business travellers. What are these benefits? And why should this alliance be acceptable to the competition authorities on both sides of the Atlantic check-in, standby and waitlisting, and common stickers when BA's proposed, sepawill be issued for each airrate deal with American is

Oneworld's other members are Canadian Airlines, Cathay Pacific and Qantas. (A sixth partner, Finnair. joined late and will not introduce service changes until later this year.) The five airlines will offer through check-in on most services, although it is still not possible to check bags to onward destinations within the US without passing through customs at a gateway airport. Wherever possible, the airlines will move arrival and departure gates close together to cut hassle for connecting passengers.

The airlines also promise between British Air- that staff will treat their partners' passengers as if they were their own. Travellers belonging to all five frequent-flyer schemes can earn and redeem miles on any of the partners' flights. Those eligible will have access to more than 200 airport lounges, priority

> line's top tier cards. There are complications. however. Oneworld is designed to avoid US antitrust objections because it does not involve any new attempt to standardise fares or juggle with capacity or flight frequencies. But while argument about the BA-American deal rumbles on, points earned with one on

North Atlantic flights will not count towards top tier membership with the other. And while other carriers within the group may be able to dovetail connecting the customer. A recent flight times, American says worldwide survey of long- rise substantially in all of

that with BA. A spoke says: "Without antitrust immunity there are four things we can't talk to BA about: scheduling, pricing,

frequency, capacity. Nevertheless, this kind of alliance appears to offer

The airlines promise that staff will treat partners' passengers as their own

the benefits of the closer and more controversial link, with few, if any, of the perceived drawbacks.

Whatever kind of relationship they strike up, airlines still have an uphill task persuading sceptical travellers that there is much in it for it is not yet allowed to do hand business passengers by the connecting markets

raphy) and NMR (nuclear

magnetic resonance) scans.

"Often it takes hours for the

computers to do calcula-

tions, and in some cases this

can be life threatening. A

Beowulf class system may

months Beowulf systems

will be able to comprise 1,000

linked computers forming machines capable of 1 teraf-

lop (1 million million float-

ing-point operations per sec-

ond). The price of a Beowulf

teraflop machine should be

about \$1m, compared with

says Mr Sterling.

the International Air Transport Association showed almost one-in-five disagreed to some degree with the proposition that they derive advantages from such deals. The main perceived risk is

that alliances will stifle competition and force up fares. A study by academics at the University of Illinois claimed recently that co-operation between United Airlines, Lufthansa and SAS, members of the rival Star Alliance, had held prices down. It found that on international routes where passengers make connections, their fares were 36 per cent lower than those charged by carriers not in the group.

It concluded that international alliances "generate substantial price benefits" for passengers switching between flights operated by their members, and that there was no clear evidence that they reduced competition on routes between gateway airports.

If the United link with Lufthansa and SAS were terminated, it said, fares would

served by the three carriers. The study calculated that, if the alliance did not exist, the cumulative cost to passengers in higher fares "would range between US\$50m and

\$82m per year". But the US Justice Department, which is looking closely at the issue, remains unconvinced. And the National Business Travel Association, which represents more than 2,000 US travel managers and service providers such as hotel groups, is concerned that links between carriers may mean a reduction in choice of flights.

As to whether alliance members were making changing aircraft easier by altering schedules or sharing terminals, an NBTA spokeswoman said: "I don't think we have seen much of that yet. We are hoping for a winwin situation where travellers will be able to move seamlessly through an air transportation system which is becoming ever more complicated and at the same time individuals and corporations will enjoy lower

IT DISTRIBUTED SYSTEMS

Clustered PCs do a 'super' job

High-performance computers are very expensive, but there puter. is an alternative,

writes Paul Talacko tasks can be carried out only by top of the

range computers. Yet while PCs have plummeted in price, the cost of these has "Supercomputers" remained obstinately high. The solution, say many scientists, is to mimic super-

together dozens of cheap PCs. The result is a "distributed supercomputer", and the concept is becoming increasingly popular in sci-ence, engineering, industry

One of the pioneers of this type of system, also known as parallel computing, is Thomas Sterling, senior scientist at Nasa's Center of Excellence in Space Data and Information Sciences. With colleagues, he developed the so-called Beowulf class of distributed supercomputer system in 1994.

are also involved - notably Inktomi, the Silicon Valley search-engine software is rooted in computer cluster-

Beowulf, says Mr Sterling, was the result of a number request from Nasa for a machine of a certain canability, and the availability of cheap mass-produced hardware and the necessary soft-Nasa required a high-performance 1 gigaflop (one

and particle phenomenology,

One of the most important so cannot be handled by distributed supercomputer smaller PCs working projects is the Avalon computer at the Los Alamos National Laboratory. This is a 10 gigaflop machine that cost only \$150,000 and is used as a general purpose supercomputer for applications ranging from astrophysics to molecular dynamthousand million floating

point operations per second) In medicine, use of Beocomputer for an earth and space sciences project at the idly for identifying such \$100m for an equivalent Goddard Space Flight Centhings as brain tumours on supercomputer.

measiv \$50,000, far too low for a high-performance com-"I did an analysis and

approach would have the equired performance," says Some computing Mr Sterling. "We could link the PCs together with net-working cables and use the emerging Linux operating system. A colleague, Donald Becker, had the software expertise to make it work."

Applications for Beowulf class systems, he says, include cosmological simulacomputers by cobbling tions, simulations of the sun and the effect of solar wind on the atmosphere, climate models, simulating the structure of airframes, fluid dynamics, nuclear fusion power plants and car

> In the commercial sphere applications have mush-roomed, in particular in the field of web servers and for databases, and in the area of data analysis or "data mining" where companies are ently "serial" in nature, such looking for purchasing patterns among customers.

But other organisations A Beowulf teraflop machine should cost \$1m, compared with \$100m for an equivalent supercomputer

wulf systems is growing rap-

Meanwhile, Inktomi, founded in 1996 by Eric Brewer and Paul Gauthier, researchers at the University of California at Berkeley, is already making money from its own computer clustering

reduce this considerably," "The clusters in which luktomi specialises are ideal But he admits that Beofor sorting large quantities wulf class systems cannot of data," says Mr Brewer. always be used as substibut they are also ideal for tutes for supercomputers. rendering images, and many of the special effects on the Some problems are inherfeature films Toy Story and Titonic were achieved using as those in crypto-analysis this technology."

The Inktomi system is also well suited for "caching".

This involves storing frequently accessed web pages at a site nearer to users and therefore substantially increasing access times. The cluster that Inktomi has installed for the internet server provider America On-Line can handle more than a billion hits per day," says Mr Development of Beowulf is continuing and within 18 Inktomi is also developing

a shopping search engine based on its clustering technology. "As in other applica-tions this focuses on data intensive processing allowing users to search through data very quickly," he says.
In addition to the lower cost of inktomi systems compared with traditional highperformance computers, its own Beowulf."

tages to this clustering technology, he says. "Fdevery time you add another PC to the cluster you get an additional input/output bus [connection]." increases the bandwidth available, increasing data transfer speeds.

"Another benefit," he says, "is that on the internet, machines must be up a bt of the time, and a cluster has the advantage that if one node [PC] goes down the remainder of the cluster remains working." Also he says, it is easy to add noles, so a business can increase capacity when it needs to, rather than having to anicipate growth rates. But it is cost that Mr

Brewer believes will cintinge to drive the market or distributed supercomputes. especially as programming methods become more sophisticated. In addition, with projects creating clusters using commercial opdating systems such as Micr soft's Windows NT and Apple's MacOS, the number of distributed super computers is bound to increase.
Mr Sterling, too, is enthu-

siastic about the future: "Every computer scien

通 国 泰 Computer cluster: Hrotingar is a Beowulf class system in operation at the Goddard flight cent

conjunction with colleges of the University, to appoint six new lecturers. The specialisms and college associations of the six posts are as follows:

Strategy, in association with a Fellowship at Brasenose College

Finance, in association with a Fellowship at Lincoln College:

New Susiness Development, in association with a Fellowship at



Operations Management, in association with a Fellowship at St Hugh's College;





recister their interest.

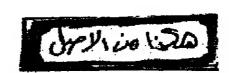
St Hilda's College, The area of academic specialism is open.

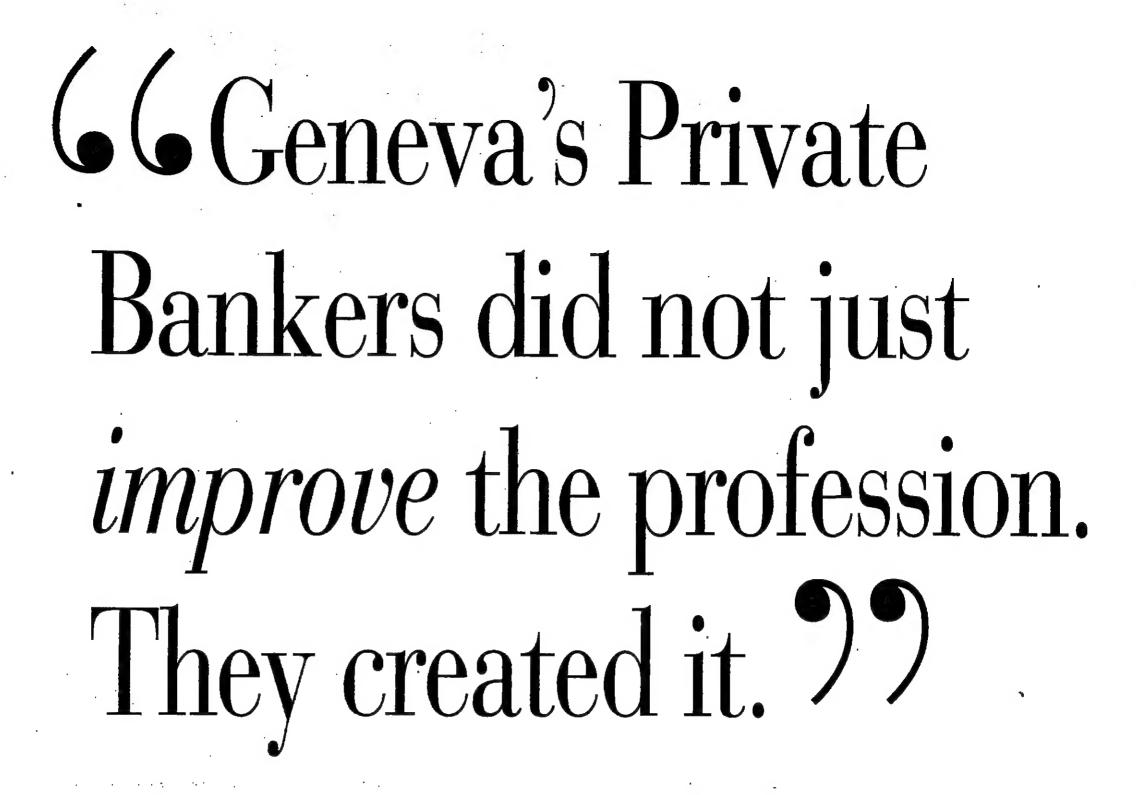
Further particulars containing distails of the duties and full range of emoluments and rances attaching to the university and college posts, may be obtained from Deborah Lisburne, Sald Business School, Radcliffe Infirmary, Woodstock Road, Oxford OX2 6HE, (tel: 01865 228521, e-mail: acracs@sbs.ox.ac.uk) to whom comple applications (ten copies or one if airmailing) should be sent by 23 February 1999. es will be held on 15/16 March. Further details about the Said Business School can be found on www.sbs.cc.ac.uk. Further posts will be advertised in the following emic year and potential candidates in any area of management are invited to

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Green idea ready to take root at school

Educators have been slow to grasp environmental issues, writes Vanessa Houlder

"The sustainability agenda is developing faster than any other part of the business agenda and ... the relevant underling and skills are likely success in the 21st century business world." Livio Desimone, chairman 3M.

Growing numbers of business leaders are prepared to endorse the importance of environmental management skills. But if business schools are a sensitive barometer of the concerns of companies, the muchvaunted "greening" of business has a long way to go.

Environmental issues are rarely incorporated into the core curriculum of business schools; recruiters are rarely interested in environmental expertise and schools' commitment to environmental issues usually lapses with the departure of the member of faculty who championed

These are the conclusions of a study of US business schools by the World Resources Institute, a Washington-based think tank. "Business-environment interactions remain outside the mainstream of business school thinking and analy-

US business schools, environmental management is Its approach to the environbeing taken increasingly seriously. The WRI high- Steger, who is credited with

University of Michigan, University of North Carolina-Chapel Hill, University of Tennessee-Knoxville, Darden and the University of Washington for their "outstanding" curricula and activities focusing on the environ-

These schools - and a number of others that are . launching environmental courses - believe they are responding to the needs of business in integrating environmental issues into their curriculum. As Joseph White, dean of the University of Michigan Business School, puts it: "Environmental issues have become a matter of central concern to business. They also create great business opportuni-

Courses on environmental management are also emerging in Europe. Some offer an unconventional approach to business teaching, notably the New Academy of Business, which was set up by Anita Roddick, the founder of Body Shop.

This runs a short course for British Airways at Lancaster University and a two year part-time MSc at Bath University covering corporate citizenship, sustainable development, fair trade, human rights and the interdependency of the north and south. It is exploring the possibility of putting together an MBA programme run by four European universities. But the environment also

plays a prominent role on the agenda at some main-And yet, in a handful of stream business schools, such as IMD in Switzerland. ment is overseen by Ulrich lighted George Washington starting the first environ-University, Stern, Kellogg, ment management course in



1987, which was run by the European Business School. Prof Steger says the US is five years behind Europe when it comes to interest in nvironmental management He traces the emergence of environmental management courses in Europe to a change in attitude on the part of business, which has gradually shifted from view-

grasp its importance. "The novelty of environmental management as a subject of business academics could explain resistance to considering this an important business issue."

Another explanation is that students do not always

professors have been slow to

'Environmental issues have become a concern of business. They also create great business opportunities'

ing environmental protection as a necessary evil to seeing it as a source of competitive advantage. This trend is also under way in the US, although it has been slowed by a different approach to regulation and pricing of energy and waste

So why, if the environ-ment is taken seriously by business leaders, are the business schools slow to emphasise its importance?

perceive its relevance. At IMD, according to Prof

Steger, students fall into three, roughly equal, groups. One third are very interested in environmental issues; another third are prepared to be convinced, while the rest are entirely unrespon-

At US business schools, student enrolment in elective courses has not increased as quickly as expected, according to the such as strategy, ethics, WRI survey. The reason, it suggests, is that corporate conflict negotiations. "As a into account as part of busi-One possibility, says the recruiters are rarely inter-WRI, is that business school ested in whether MBA stu-dents are trained to think of always be an uphill bettle."

There, it seems, is the rub. Most MBA students will not take a particular interest in the environment unless it utives - the commitment to the environment does not trickle down to managers and recruiters.

*As long as environment business community, the incentive is not there for managers or business schools to do it," says Steve Viederman, president of Jessie Smith Noyes Foundauses companies' environmental credentials to guide its investment decisions. The perception that the

environment is a fringe issue is being perpetuated by the approach of many business schools. Their coverage of the environment is concenbusiness and society and

dents are familiar with environmental management tory or social concern not central to competitive suc-

cess," says the WRL So what is the way forward for business schools? makes sense for their with integrating environcareers. And - in spite of mental issues into the teachsupport by many chief exec- ing of other disciplines. "Incorporating environmenand elective, offers the best strategy for giving all stuis a marginalised part of the dents general exposure to environment-business inter-

actions," says the WRL Prof Steger has reached the same conclusion. He describes courses that purely focus on the environment as tion, a US foundation that a "non-starter". Instead of attempting to turn out environmental specialists, business schools should try to train managers with expertise in traditional discipline who are also aware of environmental issues.

· Environmental issues must be included in the trated in a few disciplines mainstream of business thinking, he says. "Unless the environment is taken



Chicago business school to set up campus in Asia

The University of Chicago graduate school of business has officially announced that It will set up a permanent campus in Singapore. The campus will be similar to its site in central Barcelona where Chicago faculty teach the executive MBA programme and short

xecutive programmes. The campus will be the first permanent site in Asia: set up by a US business achool, However, Insead, in France, announced last year. that it will set up a duplicate of its Fontainebleau campus

in Singapore.
Classes for the Chicago executive MBA programme will begin in autumn 2000 and are intended for executives who want to study while working. The programme will be taught in 16 one-week modules spread over 19 months and for part of the programme. participants will be taught: alongside their peers from the executive MBA courses in Chicago and Barcelona. Singapore will have to travel to Chicago and Barcelona as part of the

programme.
The new campus is a building with national heritage status and is situated in the Orchard Road section of Singapore. The House of Tan Yeok Nee, as it is called, will be completely returbished before the start of the programma. Chicago:

Student award scheme

The UK's Association of Business Schools will today leunch an award scheme which gives £5,000 worth of prizes to management students. The scheme has a number of categories for both undergraduates and MBAs. Closing date for applications is April 30. ABS: www.the-abs.org.uk

Investment lab plan at Ohio

William "Mil" Batten, former. chairmen of the New York Stock Exchange, has given \$500,000 (£303,000) to the Fisher College of Business at Ohio State University to set up the Batten Investment Laboratory. It will be used by the Student Investment Vlanagement class, which exchange. In 1990 its investment portfolio was worth \$5m; today it is worth

Mr Batten was chairman of the New York Stock Exchange from 1976 to 1984 and was chief executive of J.C. Penney before that. He is also an alumnus of Ohio State University.
Fisher College:
www.cob.chio-state.edu

Swiss venue for

symposium Students from the University of St Gallen, in Switzerland, and Harvard are organising an International Management Symposium in Switzerland in May and June. The symposium, founded in 1969, traditionally attracts top business leaders as well as students from universities worldwide.

Kellogg dean's honorary award

Donald Jacobs, dean of the Kellogg school at Northwestern University, has received an honorary doctoral degree from. Nijenrode University in the recognise his work in developing and promoting management education. Nijervode: www.nijerrode.nl

information for News from Campus should be sent to Della Gradeh The Pinancial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Feb 44 171 873 3950





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Br Miller ...

In its eagerly-anticipated El Greco exhibition, the Thyssen-Bornemisza Museum follows his artistic apprenticeship in Crete and Italy, in an attempt to shed light on his subsequent "Spanish transformation". The show, comprising 80 works from the years 1560-1600, opens on Thursday and runs until May 16. GLASGOW

In the space of two years, Scottish director-designer David McVicar has become one of the hottest properties in International opera. On Saturday he returns to the Theatre Royal for Scottish Opera's new production of Der Rosenkevelier, Richard

Armstrong conducts, and Joan

Rodgers (right) is the

Marschallin.





First seen in New York last autumn, the show travels to-Paris in May.

EDHNBURGH An exhibition opening at the National Gallery of Scotland on: Friday sheds light on one of the most celebrated of British architects, "Robert Adam: The Creetive Mind" presents a selection from his rich legacy of architectural drawings, starting with his italian tour in the mid-1750s, and culminating with his studies for Culzeen Castle and

PARIS . Phyllida Lloyd's staging of Macbeth was originally intended as a final flourish for the Royal Opera before the closure of Covent Garden in 1997 - but .

Edinburgh's Charlotte Square.

last-minute technical hitches forced its abandonment. As a coproduction with the Paris Ocean. however, it finally comes to life at

the Bastille on Wednesday, Gary Bertini conducts. and the Macbeths are sung by Jean Philippe: Lefont and. Guleghina. CHICAGO

After while to Rotterdam tonight and London's estival Hall on Thursday, Riccardo Chailly and the Royal Concertgebouw Orchestra cross the Atlantic for a sox-city US tour, it opens at

Chicago's Orchestra Hall on Sunday, and takes in New York on February 12 and 14.

Mew York Caryl Churchill's Blue Hourt double-bill, first London's Royal Court In 1997, is new in New York this week. Made up of two distinct one act plays, in a staging by Out of

directed, as in London, by Max Stafford-Clark. The venue is Brooklyn Academy of Music's Majestic Theatre and the cast

includes Gabrielle Blunt and Pearce Quigley (left). Uma Thurman is the lates Hollywood star to grace the

stage, in a new version of Molière's comedy Le Misanthrope, currently in previews at the Classic Stage Company: Adapted by Martin Crimp, the play is set in London, and co-stars Roger Rees.

MODING

Birmingham Royal Ballet comes back to London for a first season in the new Sadler's Wells Theatre, playing a week of David Bintley's bold historical epic Edward II (right) - and no holds barred in the hot-poker division. Next week, a varied repertory includes Ninette de Valois' adorable Prospect Before Us and Twyle _Tharp's in the Upper Room



At a time when most American museums have abandoned exhibitions of old masters in favour of yet another Impressionist-of-themonth extravaganza, the Metropolitan Museum of Art in New York has persevered in mounting thoughtful and compelling exhibitions on painters few Americans have heard of.

Its most recent revalation is the magnificent Dosso Dossi: Court Painter in Renaissance Ferrara, organised in conjunction with the Ministero per I Beni Culturali e Ambientali of Ferrara and the J. Paul Getty Museum in Los Angeles.

Dosso, whose nickname derived from the name of some family property, was born Glovanni de' Luteri in Ferrara in about 1486, the son of a bursar in the service of Duke Ercole I of Ferrara. His family connections at the Ferrarese court must have held him in good stead, for by 1514 he and his younger brother Battista were ensconced as the favoured artists of Ercole's son and successor, Alfonso d'Este, under whose loyal patronage he remained until his death in 1542.

As Renaissance princes go, Alfonso was more interesting than most. Regarded by his family as something of an unlettered clod, Alfonso preferred military adventures to humanist studies. He enjoyed the decidedly ignoble hobbies of whittling his own flutes and chessmen, building lutes and other musical instruments, and majolica dinnerware. And he adored artisans, musicians and poets - to his family's horror, he actually dired with them - and was an obsessive collector of antiquities and ancient coins, and a generous patron

of art. He was, it seems, the patron every painter dreams of having, and his fondness for the Dossi brothers as artists and companions may have been the reason Giorgio Vasari, the Florentine painter and biographer of Italian artists, dismissed

them so readily. For Vasari, greatness in painting depended on strict adherence to the Florentine and Roman grand manner, exemplified in Michelangelo and Raphael. Dosso was well acquainted with their works, yet he was not in thrall to

Dosso drew inspiration from a great variety of sources - the finely finished panels of his Ferrarese predecessors Mazzolini and Mainiert; the fleshy eroti-



throwing his own pottery. Doeso treets the most commosphoe subjects with mempected treethness 'Drunkenness', 0.1821

NEW YORK EXHIBITION DOSSO DOSSI

Master with a comic touch

Paul Jeromack enjoys the humour and humanity in the work of a 16th-century Italian court painter

the Roman, Guido Romano, and the Parmese, Parmigianino, and, most notably, the often eccentric and anticlassical works of Dutch and German artists.

While it is often believed that Dosso gleaned knowledge of northern art solely through prints (Dürer's engravings supplied him with animals on several instances), his highly pitched colours, picturesque fantasy and calligraphic lourishes seem to suggest knowledge of paintings by Lucas Cranach, Hans Baldung Grien and especially Albrecht Altdorfer, with whom Dosso's landscapes have a deep affinity.

merely an imaginative eclectic. He is perhaps the most genial of all 16th-century Italian artists, capable of treating the most commonplace subjects with unexpected freshness. Seldom has St Jerome's wilderness retreat been treated so invitingly, nestled in a forest glade and bordered by sparkling lakes, while the Madonna and Child are serenaded by angels holding almost comically oversized

song-sheets. Even an altarpiece devoted to the doctor saints Cosmas and Damien has a quirky twist, as one massages the sore jaw of a strapping gentleman while the other tri-

cism and coy sensuality of But Dosso is more than umphantly holds aloft a so-called "Allegory of Hercuglass with an extracted tooth.

But Dosso was never more in his element than when composing a work of fantasy and whimsical allegory. Here are the Met's own "Three Ages of Man", the "Circe" from Washington (surrounded by hapless lovers turned into obedient pets) and the Borghese Gallery's "Melissa", where Ariosto's enchantress, bedecked in oriantal robes and turban.

peers off into the distance. Humour was an integral part of Dosso's art, as shown in the low comedy of the Punch and Judy fury of "Two Women Quarrelling", and the still unexplained

les" from the Uffizi, of a Legend", and the allegorical flower-wreathed old man rhombolds from Modena mocked by a company of are either complete ruins or grinning buffoons, bosomy scrubbed shadows of their courtesans and a fluffy Maloriginal appearance. tese puppy. A touch of com-Most instructive is the Getty's "Allegory with Pan", edy is evident in even the

monumental "Allegory of which has come down to us in patchwork state: Dosso Fortune" from the Getty. featuring a Michelangelesnself seems to have over que nude unsteadily holding painted the clothed female figure, which was then a cormicopia while squatting on a large bubble. revealed by a radical, 19th-There is one unfortunate century stripping. What one by-product of this magnifisees today may be all by Dosso, but it is not what the cent exhibition. Dosso's light and free technique has artist intended at all. proved especially vulnerable

Britis March 28 at the Metrocoli tan Museum of Art, New York, then at J. Paul Getty Museum Christ" from Ferrara, the Los Angeles, April 27-July 11.

THEATRE IN LONDON

Little focus provided for actorly skills

Why has the National Theatre chosen to stage Alexander Ostrovsky's play The Forest? It is fairly interesting to see anything by Ostrovsky (1823-1886), but at no point in The Forest does he appear at his most remarkable or his most entertaining. Why has Alan Ayckbourn, a master of theatrical craftsmanship, adapted it and yet left its every individual scene feeling too long? Why has the director Anthony Page who has been responsible for several of London's finest productions in recent years, brought this one to so unsatisfying a condition? None of the performances is quite good enough.

The Forest was written in 1870, and what makes it historically interesting, in parts, is the way that it cometimes seems to anticipate scenes or characters that would recu in plays by several later writers. But in each case you cannot help feeling that the later playwrights did it much better. The characters will remind any theatregoers of plays from châtelaine, Raisa Pavlovna, happens also, by chance, to parallel Natalia Petrovna, heroine of Turgenev's play A Month in the Country. Big deal. But at the National: one cannot even trust the historical features of Ayckbourn's version. He gives one of the characters a joke about Swan Lake: but that ballet was not composed until 1877, seven years after Ostrovsky wrote his play.

Yet amid all the fog of the familiar-feeling scenario, there are odd episodes that suddenly loom out with strange freshness. In particular, the startling tragic-comic scene in Act Four when Aksyusha, a young dependant of Rai**sa** Pavlovna's, is suddenly seized by a feeling of such despair, her life so hopeless while controlled by others, that she tries to drown herself; and then Gennady Neschastlivisev, her consin and a wandering actor, not only saves her life but restores her to hope. to this some and

elsewhere, as Gennady Neschastlivtsev, I have never seen Michael Feast better. But the role needs at actor of bursting spontaneity and abundant charm: two qualities the over-accomplished Feast lecks, Likewise, Niamh Linehan shows us all the contrasting facets of Aksyusha without ever capturing our sympathy. But she has talent; so do Darren Tighe as her young lover Pyotr Ivanovich Vosmibratov, and David Rark-Jones as the duplicatious, young Aleksey Sergevevich Bulanov, who both give good performances without ever persuading us that theirs are good roles. A great deal of the comedy

rests on Gennady's fellow-actor Arkadiv Schastlivisev, played here by Michael Williams. But Williams is becoming an unfunny caricature of actorliness; his very voice is now perpetually disfigured by a whinnying vibrato. Frank Windsor, Royce Mills, Windsor Davies and Peter Gowen contribute four cerà ecubie ci performances: standard stuff, with no original or spontaneous touches anywhere. The best and funniest performance is probably that of Julie Legrand, an over-erifui actress who ponetheless is here often vary enjoyable as Raisa's sly and flattering sarvent Olta.

Frances de la Tour as Reise Pavlovna. Hers - unusual for this actress - is a curiously unresolved performance. Her voice and her delivery of the lines are assured and, if anything. over-relaxed, tipping things to the brink of archness. But her gestures and body language are busy and under-relaxed. With her, as with William Dudley's lavish and picturesque designs - and as indeed with the whole production one sees ubundant skills spilling over this way and that without ever finding a proper focus.

At the play's centre is

Alastair Macaulay

INTERNATIONAL

Arts

AMSTERDAM

OPERA Netherlands Opera, Het Muzinitheater Tel: 31-20-551 8911 Carmen: by Bizet. New staging by Andreas Homold, conducted by Edo de Weart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Cermen Oprisanu and Martin Thompson; Feb 3, 5

BARCELONA EXHIBITION Fundaçió Joan Miró Tel: 34-93-329 1908 www.bcn.ffmiro.es Magritte: celebrating the centenary of the artist's birth, this show contains over 90 paintings and 50 photographs; to Feb 7

BERLIN CONCERT Tel: 49-30-203090 Dautsche Oper Orchestra: conducted by JII Kout in works by Brahms and Eartok, with

piano soloist Gerhard Oppitz; Feb 3

OPERA Deutsche Oper Tel: 49-30-34384-01 ● Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew, Feb 4 Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 2, 5

CHICAGO **OPERA** Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorgiu; Feb 1, 5

FORT WORTH EXHIBITION Kimbeli Art Museum Tel: 1-817-3328451 www.kimbellart.org Matisse and Picasso: A Gentle Rivalry. More than 100 paintings. sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

GLASGOW OPERA Theatre Royal Tel: 44-141-332 9000 Scottish Opera: Der

Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes. Joan Rodoers: Feb 6

LONDON CONCERTS Barbican Hall Tel: 44-171-638 6891 London Symphony Orchestra: conducted by Colin Davis in works by Eigar, Bartók and Beethoven, with violin soloist Sarah Chang, Feb 3, 4 London Symphony Orchestra:

conducted by Colin Davis in works by Beethoven and Elgar. with piano soloist Richard Goode; Feb 7 Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Brahms and Mahler.

with soprano Ruth Ziesak: LYON Royal Festival Hall OPERA Tel: 44-171-960 4242 BBC Symphony Orchestra and Singers: conducted by Andrew Davis in works by

 London Philharmonic Orchestra: conducted by Kent Nagano in works by Bartók and Berlicz, with viola soloist Yuri Bashmet; Feb 3 Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by Brahms and Schoenberg, with violin soloist Vadim Repin;

EXHIBITIONS Barbican Art Gallery

Boulez; Feb 1

Feb 4

Tel: 44-171-638 8891 Africa by Africa: A Photographic View, Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Mama Casset, Seydou Keita and Samuel Fosso: to Mar 28 Picasso and Photography: The Dark Mirror, Exhibition exploring the influence of photography upon Picasso's painting, and including photographs taken by Picasso; to Mar 28

National Gallery Tel: 44-171-839 3321 Portraits by Ingres: Images of an Epoch, 40 paintings and 50 drawings by the 19th-century French painter. Includes major loans from museums in France, the US and elsewhere; to Apr 25, then touring to the US

Opéra National de Lyon Tel; 33-4-7200 4500 Zelmira: by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos, with a cast including Mariella Devia; Feb 1

MONTREAL EXHIBITION Montreal Museum of Fine Arts Tel: 1-514-285 1600 www.mbam@cam.org Monet at Giverny: 22 paintings, produced during the last 20 years of the artist's life, loaned by the Musée Marmottan in

Paris; to May 9

Perahia; Feb 4

to over-zealous restoration,

and several pictures - the

"Two Scenes from the Life of

MUNICH: CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Philhermonic Orchestra: conducted by Fablo Luisi in works by Wagner and Liszt: Feb 1, 2, 3 Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray

EXHIBITION Haus der Kunst Tel: 49-89-211270 The Night exploring the development of the noctume, or night-time scene, in western art. Includes early examples by artists including Cranach, baroque works by Caravaggio and his followers, and works by the German romantics. Other artists represented include Goya, Munch, Max Emst and Magnitte; to Feb 7

OPERA Bayerische Staatsoper Tel: 49-89-2185 1920 www.staatstheeter.bayem.de Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Feb 3

NEW YORK EXHIBITION Museum of Modern Art

Tel: 1-212-708 9480 www.moma.org Jackson Pollock: first US retrospective of the Abstract Expressionist since that held at MOMA in 1967. Includes more than 100 paintings and 50 works on paper, to Feb 2, then transferring to London

PARIS CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Luciano Pavarotti: recital by the tenor, accompanied by pianist Leone Magiera; Feb 1 Orchestre de Paris: conducted by Frans Brüggen in works by Beethoven, Hummel and Schubert, with piano soloist Marie-Josephe Jude: Feb 3, 4

Théâtre des Champs Elysées Tel: 33-1-4952 5050 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Canteloube and Mahler, with soprano Dawn Upshaw; Feb 1

EXHIBITION **Grand Palais** Tel: 33-1-4413 1730 Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézenne, Pisarro, Monet and Renolr as well as to Van Gogh, who famousty spent the last weeks of his life with Gachet at Auvers-sur-Oise; to Apr 26, then transferring to New

York

ZURICH EXHIBITION

Kunsthaus Zurich Tel: 41-1-251 6765 Chagall, Kandinsky, Malevich and the Russian Avant-Garde: exhibition exploring the artistic upheavals of the first two decades of this century. In addition to important loans from the State Hermitage Museum in St Petersburg the show brings together pictures from provincial museums never seen in the west

TV AND RADIO

before perestroika; to Apr 25

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At 08:20 Tanya Beckett of FTTV reports live from UFFE as the London market opens.

Businessmen find that Hong Kong's problem since the handover to China is not too little political freedom but too much, write Rahul Jacob and Louise Lucas

to Chinese rule in July 1997, there was widespread concern that China would trample on the territory's political and economic free This was, after all, the oddest of odd couples: the world's freest market being handed over to the world's strongest remaining commu-

Righteen months after the handover, however, Beijing receives measured praise from even its most implacable opponents for allowing Hong Kong to go its own way. "There has been no apparent attempt to intervene by China. They have not been vocal about the actions of the Hong Kong government," says Martin Lee, head of the Democratic party, Hong Kong's leading Li Ka-shing: making his voice heard political party, and a staunch critic of Beijing.

. Instead, in the past few months, vociferous criticism has come from another of Hong Kong's powerful masters: its big businessmen. The debate reached a flashpoint late last month when Li Ka-shing, the territory's most prominent tycoon, said he would not make a US\$1.3bn investment there because of the prevailing political climate. In an interview with the FT recently, Mr Li stressed that Hong Kong remained his base and that he would in future make investments there. After this time, once the public gets the message, then next time when there is an investment opportunity

we can go ahead," he said. The "message" Mr Li was sending is a subject that has consumed Hong Kong for weeks. Business leaders bemoan what they see as Hong Kong's transformation survey conducted by three from an economics-led city to a more political city. The legislature and the press have become increasingly assertive, energetically scruare not shy about making tinising and critical of the themselves heard. This has establishment.

Last week, for instance, the local legislature's report on the chaotic opening of the period after the second new airport in July included a sharp dressing down of top nial administration heeded



tution L" savs Mr Li.

government officials. Hong closely the demands of busi-Kong's deep recession last ness. The Executive Council, year has added to the potent an advisory body, was cocktail. There have been packed with businessmen, a protest marches to Hongtradition that continues. For kong Bank and a noisy demall its strengths as a free onstration outside Mr Li's market, Hong Kong has a offices by home buyers who history of oligopolies in busthad defaulted on purchase nesses such as property and agreements for new flats banking - the inevitable result of this clubby legacy. bought from his property company, "I support democ-Since the handover, the racy in a mature society Hong Kong government has built on law and order. accelerated deregulation in Democracy should move forward step by step as set out

industries such as telecommunications and broadcastin the Basic Law [Hong ing. And as it sets about lib-Kong's post-colonial constieralising the economy, the legislature has been goading Business leaders, critics it to move faster. Hong reply, are the ones out of Kong's partially elected legislature may be impotent in step with the new realities. "It is true that Hong Kong is many ways - its power to becoming more politicised. It introduce bills, for instance, is also true that it is not is severaly limited - but its politicised enough," says members have for months Michael DeGolyer, who overshown an uncanny knack for sees the Hong Kong Transidominating the airwayes and headlines. It is perhaps tion Report, a continuing because their powers are so circumscribed that they criuniversities, at Baptist University. Even though Hong ticise the establishment, Kong remains a nascent including big business, so democracy, local politicians vociferously at every turn. Last week, the legislature

urged the government to come as a shock for many enact a fair competition law and bring more competition Through much of the to sectors as varied as world war, the British coloing. The pro-democracy les- ment must get used to it.

islators may be almost all bark and no bite, but they have begun to draw blood on the issue of deregulation.
"The complaints [from big business] about increased politicisation are just a smoke screen," says Mr

The spotJight is now on

the telecommunications industry where the government will soon make a decision on whether to allow for eign companies, such as MCI WorldCom, to build their own infrastructure in Hong Kong to compete in the territory's international voice and data market. Local telephone companies, including Mr Li's Hutchison Whamnos, have argued that hig international operators would quickly dominate the business after the locals have spent hundreds of millions on building local fixedline networks. A decision is expected soon. "The government is now balancing the interests of a minority of tycoons against Hong Kong's future as a centre of IT excellence," says Stephe Liddell, MCI WorldCom's Asia Pacific president.

These sound-bite skirmishes are part of the deregulation debate as Hong Kong defines its future. Independent consultants and legislators want the government to loosen the large banks' control on interest rates for savings accounts in the territory. Even in a city as noisy as Hong Kong, the cacophony of conflicting opinions may be unsettling for some, but it is a reflec tion of the city's inherent pluralism. That cannot be wished away in a city of more than 8m that is home to a large, ever more

demanding middle class. "The pluralistic nature of our society is one of its strengths. It can't be rolled back. One reason multinationals prefer Hong Kong is because there is a free flow of information," says Victor Fung, chairman of the Hong Kong Trade Develop ment Council and of Prudential Asia. Dissent and debate. energy, freight services, tele- in other words, are here to communications and bank- stay. Hong Kong's establish-

LETTERS TO THE EDITOR

Banana ruling questions EU policy

Sir, Guy de Jonquières' analysis in "Trade goes bananas" (January 26) rightly suggests that more than the fruit is at stake in World Trade Organisation ruling puts in question the very European Union development policy applied towards African, Caribbean and Pacific (ACP) countries. No such policy can exist without trade preferences, themselves dependent on licensing mechanisms of the

type condemned. in general, more attention ought to be paid to the consequences on European social values of some of the 18 cases so far completed by the WTO since its creation. The beef bormones case is one such example. Under the "precautionary so-called principle", the Europeans tend to limit marketing of of distribution, while the

ness is unproven. However, the panel decided in favour precedent may be hard to overturn in the genetically modified organisa us case and in comparable upcoming cases. Be assured that the old Continent, just recovering from mad cow disease, the blood scandal in France and so on, will not easily accept such U-turns in its health policy for the sake of

Likewise, the cultural pref-

erences dear to many Euro-

hard-core free trade.

egn (and other) countries. faced with a neighbour's dominant culture, were made fragile by the weighty precedent of the Canadian Magazines case. The Puli-Kodak case questioned among others, national schemes supporting traditional family businesses against more modern forms

tex regimes for popular drinks.

With the Indonesian car case, the WTO essentially condemned public support for local infant industries. Even if the latter cases do not directly affect European countries, their impact on certain societal values here cannot be underestimated.

The acceptability of decisions to the WTO's member countries' public opinions is essential if we are to preserve an efficient multilateral dispute settlement mechanism. The cautiousness of the EC Court of Justice in the early years of the EC testifies to the long-term efficiency of a more careful

Didier Avocats Avenue de Tervueren 163, B-1150 Brussels.

products whose innocuous- Japanese and Korean spirits Belgium

Political economy versus human values

Prom Mr Denid J. Collison.

Sir, In "Trade goes bananas" the underlying issue is not addressed. That concerns a confrontation etween financial interests (in particular those of Chiquita) and social concerns (in particular regarding bananas). Neither the poten-

tial risibility of the product lates far-reaching matters of nor the procedural problems of the World Trade Organisation should obscure this central question involving political economy and human

The underlying issue is a complex one with serious small-scale producers of arguments on each side. It is University of Dundee,

principle. The consistent lack of media coverage of the core of the dispute should itself be cause for concern.

David J. Collison department of accountancy and business finance. also an issue that encapsu- Dundee DDI 4HN, UK

Deploying librarians sayes time and money

Sir, John Gapper ("Libraries at your fingertips", January 20) rightly points out that corporate librarians can provide more specialised services when freed from basic level searching. Librarians ictively premote end-user

However, most users require training to reach a basic level of familiarity

vices, and those services their organisations better need to be managed by than universal end-user people with the professional training to really exploit such resources

Information is any organi sation's most valuable resource and a deployment of librarians - however thinly stretched - will save an awful lot of time and

Nothing demonstrates the London WC1E 7AE. UK

with online information ser- value librarians bring to access to PC-based information services, whether it is via the web or a proprietary

> The Library Association. 7 Ridgmount Street.

The threat of 'protection'

NIN 11311.5

Sir, The proposed EU and trade union-inspired "protection" for contract workers (January 27) threatens the competitiveness of the UK's computer services industry, and many of its customers.

The rules assume that all those on short-term contracts are in this position against their will, at the behest of uncaring employers. In the thriving UK computer services industry, this is far from true. I voluntarily left secure, well-paid employment to start up my own company. I enjoy working on short-term contracts, and it would take a lot to tempt me back into permanent employment (if there is such a thing). I employ two people, and pay more tax; I make generous pension provisions for my employees and myself. There are lots

like ma. This flexibility benefits all, especially the UK economy. For example, it is debatable if many large UK companies could have shown the degree of due diligence concerning Y2K without such a flexible and well-skilled workforce.

These rules will stifle creativity, and may cause freelance staff to look elsewhere to continue their careers. I continually get calls from abroad - this week I have been approached by US companies in Austin. San Fran-

checo and Boston. I urge all "contractors" to resist these proposals. We can fight our own battles and decide for ourselves how we work. This is not an issue about fairness or social justice (whatever that is): it is about freedom for people to make their own decisions and live their own lives.

managing director, Simpson Professional 127 Twin Oaks Close, Broadstone, BH18 8JE, UK

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Number One Southwark Bridge, London SE1 9HL

ECONOMICS NOTEBOOK GILLIAN TETT

After the banks

Japan's public finances are in a mess. Some of the biggest institutions are refusing to buy more government bonds, and the Bank of Japan is not coming to the rescue

anan is heading for more financial trouble. This time, it is not the country's big private banks that are the problem. The vast expense of bailing them out, however, is exposing far bigger strains in Japan's public financial sys-

The issue here is not so much the ballooning central government budget deficit. although this in itself is elarming (see chart). The real menace comes from "hidden" government liabilities arising from the far from transparent finances of local governments and quasipublic institutions.

The web of public finance in Japan is complex, opaque and huge. The officially announced central government "budget", for example. is projected to be Y86,000bn in fiscal 1999. But the Fiscal Investment and Loan Programme, an arm of the Miristry of Finance, spends a similar amount each year on government-directed projects. The FILP does not need central government money to do so: it can tap the Y400,000bn pool of funds in postal savings and pen-

The Trust Fund Bureau. part of the FILP, buys a large chunk of Japanese goverument bonds (creating the musual situation where government institutions are buying the government's own debt so extensively that they almost control the long-term interest rate).

Meanwhile, the local envernments have the ability to raise funds independently of central government and have their own big spending projects, which help support t host of quasi-public institutions. The spending of local governments is mostly not incorporated in central gov-

These different channels of spending intersect and prop each other up: FILP loans, for example, are given to local governments which may pass them on to quasipublic institutions, which may then buy government bonds. And until recently, few outside observers worried about how this "recycling" worked, or where liabil-ities lay. After all, funds

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investment banks were often reluctant to prod too deeply into "off balance sheet" liabilities, since public institutions were key clients.

But as debt levels surge, alarm bells are ringing. And investors are discovering that it is very unclear how much debt is guaranteed by the central government.

The ministry says the ratio of total debt to gross domestic product will be 120 per cent next year for the entire system (and around 70 per cent for the central gov-

But Moody's, the US credit rating agency, argues that "hidden" FILP losses could amount to at least another 10 per cent of GDP because it has lent money to wasteful projects with low returns, if the musi-public sector projects and the Y60,000bn cost of banking reforms are included, total government debt could reach 200 per cent of GDP in five years, economists say. The government retorts

smallest among the Group of Seven leading industrial countries, since the country has huge assets. But the health of many of these national "assets" is questionable as they form part of the FILP system. Although some officials

privately suggest the government "guarantee" for some Habilities might be renegotiated, the effect of this would be to erode confidence in Japan's financial system. There are already signs

seemed plentiful to Japanese that some key players are investors. And western becoming nervous about The FILP, for example, recently announced it would stop buying Japanese government bonds because its own funds are set to shrink rapidly as savers withdraw money from the postal savings system because of

falling deposit rates. Politicians are urging the Bank of Japan to buy the government bonds refused by the FILP. But the central bank is not playing along. The bank is also dragging its feet over providing funds for banking reforms because it suspects, perhaps correctly, that it would be pouring

money into a black hole. The ministry of finance has quietly suggested that regional banks should buy bonds to fund bank reform instead. But regional banks are reluctant. They are also fending off requests from local governments to buy their own bonds. And some regional banks are furious because the local governments are refusing to service the debts of quasi-public pro-

To complicate matters further, regional governments want the FILP to restructure their debts. FILP officials are so irritated they are quietly threatening to cut back emergency credits to ailing regional governments.

Will this create a crisis? Not immediately. After all. the government kept the lid on the "open secret" of its banking sector problems for seven years. It can probably contain the public financial

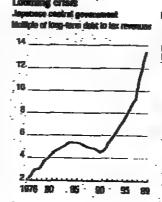
long. And for every sign of accepting more liabilities. revolt, there is another sign of cohesion. The Bank of Japan, for example, has recently been bullied into buying more corporate bonds, as opposed to government bonds - in direct contrast to its avowed desire to "clean up its balance sheet".

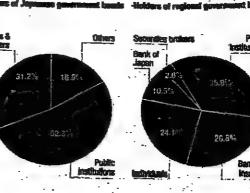
But the pressures on this fiscal pack of cards are risdebt is publicly surging. A swathe of semi-public regional projects have been collapsing. A handful of local governments privately admit they are close to bank

Most importantly, some of the brightest bureaucrats acknowledge that the entire system is unsustainable. indeed, some reformers are muttering that it may be "useful" to let a few local governments go bankrupt, or unveil some "surprises" at FILP, to prod politicians into action. After all, they point out, it took the collapse of large banks and brokers in 1997 - and the ensuing market "turmoil" - to create the consensus behind serious banking reform.

Quite how the markets would react to the "shock of a local government bankruptcy or a public institution's default is anyone's guess. And when such shocks might emerge is

But the parallels with the banking crisis earlier this decade are striking. Japan's financial turmoil could soon be heading for a new





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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday February 1 1999

Oasis of prosperity

international financial crisis, and may again. However, there Alan Greenspan, chairman of the US Federal Reserve, warned that the US could not remain an "oasis of prosperity" in a world economy experiencing severe and growing strains. But it did: 1998 marked another remarkable year in the US's remarkable eight-year expansion. Members of the Federal Open Market Committee have a right to be pleased when they meet this week. But Mr Greenspan, for one, will be far

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CONTRACTOR STORES TO A TOP A TOP

The Federal Reserve has delivered growth with low inflation and low unemployment. In the last three months of 1998, growth exceeded almost all expectations. The annualised increase of 5.6 per cent was the highest rate for two years. For the year as a whole, growth was 3.9 per cent exactly the same as in 1997. The slowdown in Europe is more pronounced. Japanese policymakers are unable to restore demand in their creaking economy. The US has so far shrugged off the inter-

national downturn. At the same time, in part due to imported deflation, US inflation remains at a 40-year low, while unemployment is below 5 per cent. The FOMC appears to have discovered the secret of economic alchemy. Most forecasts are for growth of around 2 per cent in 1999. This implies a significant slowdown, but would still mean another exceptional year.

The US economy has proved

are significant risks on the downside, not least because growth has been supported by a highly unstable cycle of increased investment, fuelled by an overvalued stock market.

Mr Greenspan finds himself in

a tricky situation. His warnings about asset price inflation, of "irrational exuberance" as long ago as 1996 - and of the "unusua nature" of the rebound in equities after last summer's correction last month - have not been beeded. But he says the FOMC will not raise interest rates to prick the bubble. With price increases nowhere to be seen, even with wage growth picking up there is little case for higher rates to curb inflation. With such

Thus, the FOMC is likely to leave interest rates unchanged. It must then hope that households cut back consumption only gradually as the growth in asset prices slows. In 1996, household savings were close to zero. This decline in savings has been accompanied by what looks like an equally unsustainable disferent.

The danger is that the virtuous circle of increasing stock market gains leading to household spending could be thrown into reverse drying up the casis and leading

Peace push

The international community has the accord that ended the Bos-Kosovo. The major powers in the Contact Group have peremptorily summoned the warring parties to start peace talks in France by the end of this week. The Contact Group is demanding that Serbs more than two weeks to settle a problem that has built up over decades. At the same time, Nato is threatening that if the violence in the Yugoslav province continues unchecked, it will bomb the Serbs and cut the Kosovo Liberation Army (KLA) off from its for-

Double or quits? No, just double. If the high-pressure tactics succeed, there will be a settlement, and a strong chance that Nato countries will put ground troops into Kosovo to undernin the deal Britain, France, Germany and Italy have made such an offer. If no one shows up at the French peace talks, and if, as would be likely, violence in Rosovo worsens - what then? Nato cannot not carry out its threats without losing credibility. Equally, however, it cannot bomb the Serbs and actively deny arms to the KLA, and then just steal away. Europe and Nato cannot abandon Kosovo - stability on its southern flank is too important any more than it could ignore Bosnia. So there is no quits.

taken a high-risk gamble over nian war. It will be harder. The Bosnian war produced a weariness and an eventual balance of force. In Kosovo, the Serbs have the big guns, and believe that, without foreigners restraining them, they could roll up the KLA var Albaniansfeel destiny and demography are with them in their push for independence.

Both are wrong. As Robin Cook, the UK foreign secretary, rightly observes, there is no chance of the KLA's driving Yugoslav forces right out of Kosevo, just as there is no prospect of the latter's stamping out Albanian guerrilla activity.

So both sides would be foolish not to talk and seek a compro mise. The key issues are whether Rosovo stays within Serbia or just within federal Yugoslavia, and how sweeping the review of interim autonomy should be. They could be traded off. Albanian dissatisfaction at interim autonomy could be assuaged by the promise of a referendum on

change after three years. But the international commu nity will have to act not only as mediator of a deal, but also as monitor of its provisions and maybe military enforcer. Such in Bosnia, and Kosovo may need

the same treatment. So the price in essence, the major powers of stability may be long-term are trying to do another Dayton. Neto garrisons in the Balkans.

Yielding to the attraction of safe investments

Fear of inflation is receding and government bonds are regaining their historic equitable relationship with shares, says Edward Luce

entoral windom suld you should steer clear western governneut bonds. In spite of their reputation for safety, the average investor in UK gilts, for example, since the late 1960s would have lost his shirt.

With inflation after the second world war world often likely to outstrip the annual interest on povernment bonds, the odds were tacked against you. Much more sensible, therefore, to put your cash into the stock market, where share prices sometimes penefited from an occasional dose of Inflation

This world no longer exists. In spite of the long bull market in quities, bonds on many markets days, the first - and, very often, the only - port of call for nervous investors is the nearest stern government hond market. This is why yields on all western government bonds, especially on US and German government paper, plummeted to historic lows in the wake of the near-bankruptcy of Long-Term

Government bond prices also shot up (pushing yields lower) unfold in mid-1997 and, less dramatically, after the devaluation of the Brazilian Real earlier this month. The fear of inflation, which for so long destroyed the attractiveness of bonds, has been replaced by fear of deteriorating credit quality, deflation (falling prices) and the threat of financial contagion from the developing

"We are no longer living in an age where inflation is a credible threat," says Peter Ainsworth at investec, the global asset manager. "This single fact has radically altered the relation-

The rehabilitation of government bond markets is founded on the steady decline in inflation over the past 20 years and thus long precedes the "flight to safety" panic of the past 18

have grown by now to 2240. For PTSE All-Share index, your capital would now be worth 2229. According to Barclays Capital, this was the first full economic cycle since the second world war where the return on bonds exceeded the return on equities.

The same trend applies to Germany - aibeit less dramatically because of the superior German inflation record - where the government bond market has yielded an annual total return of more than 10 per cent a year since 1990 ared with an annual 13 per cent return for the German stock

The returns in Japan illustrate the point most clearly. If 1990 equals 100. Jananese government honds (JGBs) are now approaching 200 while the Nikkei index cent. But if Japan succeeded in inflating its way out of recession, holders of JGBs would be ham-

In the US, the unprecedented bull market in equities in the past few years means that George Magnus, chief econoreturns on the Dow Jones Industrial Average comfortably out-

Contrast this with the period between 1950 and 1990. In the UK, the annual average rise in share prices was 14.2 per cent over 40 years compared with an average nominal annual yield of just 6.85 per cent on gilts. With average inflation at 6.36 per cent, the real neturn on gilts was more or less zero. This masks the fact that for long intervening periods - notathe inflationary spiral succeeding the oil price shock of 1973 - you would have money in the UK gilts mar-

put it in US Treasuries in

Again, owing to the UK's relatively poor record on inflation. the trend was less dramatic in the US and continental Europe. Indeed, it is only in the past three or four years that continental European investors have begun to buy shares in any sig-

The trend, nevertheless, is broadly the same across the western world although it is most pronounced in the UK, the US and

says that the 19th century provides the closest parallel to what

"You could say that we have average in the past few years. It was the post-war economy, with its in-built tolerance for inflation, which was the exception rather than the rule," says Mr Magnus. The figures beer this out. The

'Bond markets are still the safest hedge against another nasty surprise'

so-called Depression of the 1880s and 1890s was actually a period of booming economic growth in where. The term "Depression" referred to falling prices rather than falling output. Deflation, which was almost guaranteed by the international gold standard system, was the

Average annual inflation in the

mist at Warburg Dillon Read, 0.5 per cent in the US, while average annual growth in gross

cent and 5.1 per cent respec-

Per.cent

remainder of the 19th century, it was a climate that favoured bond investors. Indeed, UK prices in 1900 were the same as they were in 1800 although they fluctuated violently around this mean. Over the century the investor received an average annual return of 4 per cent on holdings of UK consols

> than 4 per cent for holdings in the UK stock market. Many economists and investors believe the world is reverting to a state where the relationship between shares and bonds is more equitable.

(Treasury debt) and a little more

"Many people would argue that inflation is either dead or at the very least dormant in the industrialised world," says Kevin Adams, an economist at Barclays Capital. "The post-war world is therefore a very poor guide as to how you should invest your

Guiness Flight, the fund manager, is even recommending that UK investors split their money evenly between the gilt and UK stock markets. At the moment UK was minus 1 per cent the split is roughly 80:10 in

favour of equities with the remainder in cash.

"Investors should sit up and pay attention to the fact that bonds are no longer the Cindersaid the fund last week. "The risk and rewards now argue for a 50:50 bond:equity investment pos-

The case is strengthened by the fact that government bond yields are generally less volatile than equity prices. At a time when the US generation of post-war "baby boomers" are approaching retire ment age, fund managers say, it makes sense for them to hold a higher proportion of assets in the form of bonds rather than equities. This is because bonds provide a predictable annual annu-

that the percentage of funds invested in the US Treasury market should roughly correspond to the age of the investor - the average UK investor would be just 10 years old on this

tors should not assume that the rally in western bond markets will necessarily continue over the next few years.

With yields on 10-year German and French government bonds having fallen to below 4 per cent and to below 5 per cent in the US and the UK, inflation would have to dip into negative territory for the bull market to con

Bond analysis say that the average real yield on a government bond - the difference between the nominal yield and the rate of inflation - should hover between 2 per cent and 3 per cent. With core inflation now well below 1 per cent in continental Europe and at around 2.5 per cent in the UK, this suggests that yields have little further to fall. At some stage, the market will establish a new equilibrium between inflation and bond

15 per cent and 20 per cent in most European government bond markets over the past three years is thus unlikely to

"In a way it was better to have travelled than to have arrived." says Mr Adams. "We are not going to see these types of capital gains for much longer. But the real yield on government bonds will continue to be attractive and will compete with the return available on equities."

There is, however, a more gloomy scenario. If, as seems possible. US equity prices took a sharp downturn in response to a slowdown in US corporate profits, the world would be threatened with global recession. This could tip Europe and the US from a phase of falling inflation into a period of outright deflation. In that case. Treasury and German government bond yields would again take a nosedive.

"Bond markets are still the safest hedge against another nasty surprise, whether it comes from Latin America or the US stock market." says Mr Magnus.

"But even if the world has seen the last of the financial shocks. bonds will continue to be a lucrative destination for inves-

OBSERVER Cold comfort

Robert Rubin, US Treasury secretary, is intelligent, experi-enced and humans. Yet when he addressed the World Economic had little concrets to offer on the great policy issua of today: reform of the international Snancial-system. He said, in effect, that not much could - or would

- be done to make the world safer. The conclusion is not that emerging market countries should turn inwards. It is that their fate lies in their own hands.

The global economy is now in the second year of a financial crisis that swept through Asia and Russia and has now seized Brazil. in response, the world's most powerful countries have told the afflicted that, to restore confidence, they should adopt politically unpopular policies of radical structural reform and macro-economic stringency. This is cold comfort.

Mr Rubin is no exception on this. Yet in applauding the longrun benefits of the market-based system, he recognises the instabilitles inherent in financial markets. In response, Mr Rubin recommends measures to reduce the volatility of capital flows. These should, he argues, include better regulation of risk management systems, changes in bank capital standards and improved disclosure of risk. He also considers oproving existing ways to deal with crises and the choice of

exchange rate regimes. Finally, he asserts the case for "strong steps to address the tremendous income inequality that is all too Forum in Davos on Saturday he evident around the world within nations and between nations. Unfortunately, these fine aspi-

rations have little substance. People lent to east Asia not because they discounted the risk unaware of it. Again, Mr Rubin casts doubt on proposals to turn the International Monetary Pund into a lender of last resort or to pre-qualify countries for emergency assistance. He may want the private sector to bear an appropriate share of the burden. but asks bow this is to be done without triggering the crises everyone fears. Even on exchange rates, Mr Rubin raises the issue only to suggest that "fixed and flexible exchange rates have been successful and unsuccessful in different countries ... But whatever the regime, in the final analysis, the key is sound underlying policy."

Mr Rubin is telling emerging

market economies that it is up to them to avoid becoming ill and, should they succumb, to make themselves better. Emerging market economies should either pursue the sound, prodent, market-oriented policies consistent with navigation on the high seas of global finance - or hug the

A nice bit of latest perpetrated by its Bonn homie No one can accuse Europe's labour and social affairs min of denying themselves the simple pleasures of #e when they meet

informal pow-wow under the arges members of the German EU presidency. For there's a banquet fined up a "country-style" supper with live folk music and a farewell lunch in the Cologne chocolate museum - to take ministers' distributing information is minds off an indigestible agenda addressing the effects of the euro on the labour market.

But the ministers face one especially daunting challenge suspects it's Jimmy Jamar, Edith the Cologne "carnival trinity". intended to provide an interlude of light relief between a coelfield visit and one of the unavoidable "family photographs". The bizarre trio of males acting

out the roles of carnival prince. shy maiden and burly farmer are the anatograps of the annual Cologne carnival. With appalling jokes and a gaggle of tipsy, bewigged guardsmen in tow, the trinity will give the ministers a rare insight into the carefully orchestrated jolities of the Rhineland's pre-Lenten carnival Suddenly, a chit-chat about the euro looks strangely attractive.

Eurogaffe

The European Commission arches from galle to galle, the ramshackle press service. An unsigned note calling for a new "crisis" strategy towards the press has been inadvertently listributed on the back of a dull press release about a European Court judgment. The memo, written in French.

spokesmen's service not to become obsessed with the notion of "transparency". It explains: "A dose of cynicism and sometimes hypocrisy - in sometimes necessary . . . the desire to explain everything often invites further interrogation. Who wrote it? Everyone

Cresson's luckless spokesman. Poor old Commission. Even when it dabbles in the art of media manipulation, it manages to mess it up. Perhaps Peter Mandelson, the former British minister known for his spin-doctoring powers but who had to resign under a cloud, might fancy a spell in Brussels?

Number's up Music to the ears of "hackers".

The latest research into personal computer passwords makes larming reading for corporate information technology departments. A survey conducted in Britain by Shuttle Technology IT group shows that 15 per cent of users choose their date of birth as their password

and 49 per cent select their partner's name - or the name of their children or pets. Of the men, one in five choose their firvourits football team. Eighty per cent justified

choosing simple passwords because they were afraid they would forget more complex words or number combinations. And some admitted having the same password for everything from their computer and credit cards to gaining access to bank accounts. A sort of "one-stop shop" for high-tech thieves.

Closed Gates

It turns out that US-based chassis maker TRW enjoys the presence of one Robert Gates on its board. That's the same Robert Gates who, since May 1996, has been sitting on the board of Anglo-American components group LucasVarity, now subject to a bid from TRW.

He also happens to be a former director of the US Central Intelligence Agency and assistant to the president of the United States. A non-executive director at LucasVarity, it goes without saying that he took no part in the takeover talks that ended with the bid announcement. Corporate espionage? That's for beginners.

Losing a fortune

The days when a few hundred million dollars could go astray at Brazil's Central Bank without anyone noticing are gone. Last week, the bank said it had made a bit of a mistake in counting the billions of dollars that poured out of the country as investors pulled

the plug on the Real. Instead of losing \$538m on one particular day, red-faced officials admitted that "only" \$339m had left the country. It's still not clear what happened, but Altamir Lopes, head of the Central Bank's economic decartment, reckons someone had cancelled a major order but didn't tell them.

When Brazil was beloved of international investors pumping in millions of dollars, this happened quite a lot. Sighs Lopes: 'Nobody ever noticed because there wasn't all this excitement about the exchange rate." Tough business, banking.

Bosch nosh

Finding famous Belgians has never been easy. But Belgo, the Belgian moules et frites restaurant chain which has just opened its first venue in New York, has admitted defeat.

The only genuine native artists Belon could find to stick on its East Village walls were Breughel. Magritte and Hieronymus Bosch, Making up the numbers are cyclist Eddy Merlox, "Muscles from Brussels" actor Jean-Claude Van Damme and singer Plastic Bertrand. So

Financial Times 100 years ago

The Dual Monarchy's Trade Our Paris Correspondent draws a gloomy picture of the declining foreign trade of Austria, which, he says, is suffering greatly from American competition. Probably also the excessive industrial development of Germany and the price-cutting which naturally accompanied it has exercised a very bad effect upon the Austrian export trade. The annexation of Cuba by the United States will interfere with another market of Austria-Hungary, and altogether the trade outlook of the Dual Monarchy is far from

50 years ago Japanese Textile

Competition

Manchester, Jan. 30. The urgent need for increased output of cloth from Lancashire [England] weaving sheds, and of overcoming the bottleneck in printing of cloth, is underlined by news that Manchester shippers are having to buy Japanese printed and dyed goods to satisfy (British) Colonial markets. Previous purchases from Japan have consisted and finished here for

Real trouble

Brazil is spiralling out of control. Despite everal increases in official interest rates, the Real has lost over 40 per cent of its value in two weeks - on Friday bursting through the two-per-dollar level. More than \$8bn of foreign currency fled the country in January. Analysis now expect inflation to rise from virtually nothing to 30 per cent this year. In this febrile envient, destabilising rumours – such as the notion than the government is going to freeze bank accounts - are flying

The essential task is to limit the inevitable rise in prices to a one-off adjustment. Otherwise, Brazil will be back to hyperinflation. This means a new, transparent monetary policy, including an inflation target. It also means a tighter fiscal policy and an acceleration in the privatisation programme. The Interna-tional Monetary Fund, now in heated negotiations in Brazil, should insist on this and not just dole out another large tranche of its cash.

Beyond that, Brazil needs to tackle its Achilles' heel: the crippling burden of R\$320bn of short-term domestic debt. With no need any longer to defend the currency, the IMF's cash could be used both directly to cut short-term debt and as a carrot to persuade the private sector to conchedule its loans.

But even if Brazil and the IMF can put together a new blueprint, they will still have to convince the markets that it can be implemented successfully. To the extent that devaluation has scared Brasil's politicians, this may have become easier. The alternatives of hyperinflation or a forced debt restructuring are even

US economy

The US economy's resilience is marvellous to behold. Rather than slowing down, it appears to be speeding up. Fuelled by a rebound in exports and continued strong consumer spending and business investment, fourth-quarter gross domestic prod-uct jumped by 5.6 per cent. For the year, the economy grew at 3.9 per cent, just as fast as in 1997, while inflation and unemployment remain at record lows.

How long can this strength persist? With the household savings rate at zero, consumer spending is unlikely to keep

The extreme cold over northern Scandinavia is abating, but there will be snow, turning to rain in the south and west, as north-we Europe begins to turn milder. south as northern Italy and Greece To the south and across the item Meditemaneen, there will

the west will die away, and much of the Iberian peninsula will be

vards only towards the end of the week. Northern Scandinavia will stay wintry, but the west and south will become mild and wat. Eastern Europe will stay cold with

tog patches, but snow showers will

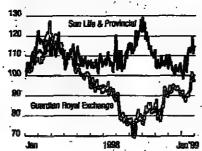
be heavy showers or

Five-day forecast North-west Europe will become

milder, with rain pushing

Features

Share prices relative to the FTSE All-Share inde



growing at more than 4 per cent a year The same goes for companies' capital investment, which soared 21 per cent in the fourth quarter. Both depend, at least to some extent, on further stock market gains. Merely flat share prices, even at this high level, may not be enough to sustain them. That means there is more than ever riding on the continued health of US equities, which could be derailed by an external shock.

And there are plenty of potential cul-prits, not least a further deterioration in Brazil. The bravura performance of the US has certainly been a boon in a slowing world. But as a result, the global economy is even more vulnerable to a setback

Japanese M&A

Generations of godies (overseas) investment bankers have been through Tokyo, their prophesies of a flood of takeovers by foreigners unfulfilled. But at last their predictions look like coming true. The difference now is that the pain in the financial sector is spreading to Japan's industrial core. Heavily geared, facing negative cash-flow and deprived of capital from the banks as well as capital markets, many Japanese companies are for the first time considering foreign companies as possible rescuers. Even three years ago, it would have been unimaginable for foreigners to buy half of Nissan, the country's second biggest car maker. Now the idea berely

CONTENTS

ble cross-shareholding system. As for friendly deals, there is a mismatch between buyers and sellers. In drugs, many foreign groups want to buy, but targets are not under enough pressure to

In retailing, there are plenty of sellers on offer. Price is also a stumbling block because off-halance sheet debt makes valuing targets' liabilities difficult. But the most intransigent issue is management control. Japanese executives still have unrealistic expectations of controlling businesses they have mismanaged for years. The pain may have to get worse before many Japanese managers will wallow that bitter pill.

Axa/GRE

Guardian Royal Exchange has hardly secured a premium price by auctioning itself off. Sun Life and Provincial's offer of 388p a share works at only 1.2 times net asset value. That is even worse than the multiple of 1.3 that Gan, the tattered French insurer, achieved last year. Peraps, though, that just rams home what a ragbag GRE was. It may have proved hard to get a sizzling auction going precisely because nobody really wanted the whole caboodle. And, indeed, GRE is now being broken up - with Liberty Mutual buying the US businesses and Aza, Sun Life's

parent, taking on everything else outside the UK and the Irish Republic.

Axa/Sun Life's victory is a harsh lesson to Royal & Sun Alliance. In terms of pure industrial logic, its bid made the most sense as large duplicated costs could have been stripped out. But its credibility with investors is still suffering from its botches mergar - so much so that shareholders have handicapped it in its pursuit of GRE. Now it has not only failed to win that prize, it also faces tougher competition from the new Sun Life/GRE.

Sun Life, by contrast, is riding high. That has been a huge boon. Neiting out the 21.7bn it will recomp from selling on bits of GRE it does not want, nearly 70 per cant of the £1.9bn purchase price will be paid in highly-rated shares. Other companies should note: credibility with investors can be the decisive factor separating

BARSHEFSKY STRESSES PUSH FOR LIBERALISATION OF WORLD TRADE

US pledges to ignore calls for limitations on imports

Charlene Barshefsky, US trade representative, yesterday pledged to stand firm against domestic pressures to erect trade barriers.

"It would be playing with fire for Americans to think or move in that at the World Economic Forum in

Davos, Switzerland.
"The last thing on the face of the planet that the US should be doing or considering is artificial limita-

She said the US was determined to strengthen its commitment to multilateral trade rules and to combat growing protectionist demands by ressing ahead with a comprehen sive new round of talks to liberalise world trade.

The success of a new round would depend on intensified co-operation between the US and the European Union. But the US would find it harder to phase out its unilateral trade weapons if the EU continued to defy World Trade Organisation

The US claims the EU has falled to comply with a WTO ruling against Europe's banana import regime. Under threat of US sanctions on EU imports, the EU has agreed to have the WTO again examine its regime, which has been modified.

Ms Barshefsky's comments reinforced the more emollient US attitude to trade issues, spelt out on Friday by US vice-president Al Gore.

Although the US would enforce vigorously its laws against unfair trade practices, notably "dumped" imports, US president Bill Clinton's administration aimed to end unilateral use of Section 301 trade legislation that authorises sanctions against trade partners.

The EU, which says Section 301 has been used to bully other countries, is challenging the law in the

unless the EU implemented vigorously WTO rulings against its banana import regime and its ban on hormone-treated beef, it would be hard to persuade the US congress and business to rely on the WTO.

"From a strategic point of view, if lateralism, then it must comply with

these rulings," she said.

Ms Barshelsky last week reinstated "Super 301" powers to monia move attacked by Japan. But she insisted yesterday that the use of such powers would conform strictly

She said she had persuaded Mr Clinton to support a trade round last month because she was concerned by rising protectionist demands in the US and by signs that other countries, notably in Latin America, were retreating from their commitment to

"I am very worried about the world sliding backward. I don't like what I see. The US has to be in a position to say, don't even think tion is that we should be moving

Palestinian deputies oppose May declaration of statehood

November as part of October's Wye

peace accord. But the accord has

been frozen for nearly two months

after Benjamin Netanyahu, Israeli

prime minister, refused to carry out

a second handover of land to the

Palestinians, claiming Mr Arafat had

The PLC session, held 10 days ago.

was the first time Mr Arafat heard

and, according to officials, accepted

why it was unwise to declare a state

not co-operated on security.

Yassir Arafat, president of the Palestinian Authority, has been told by his legislative connell to scrap plans for declaring a state on May 4 and instead start preparing for statehood by introducing institutional

During a closed session of the Palstinian Legislative Council – the de facto parliament - more than 80 per cent of deputies opposed a unilateral declaration, saying Palestine was not ready. They argued that Israel would use such a declaration as an excuse to cancel final status talks.

The decision is not binding on Mr Arafat but puts him under political pressure to abide by it.

These talks would focus on the most complex issues of the Israel-Palestinian conflict, involving the status of Jerusalem, the future of the Jewish settlements in the West Bank, water and refusees.

the new state, although Washington might support a state if declared Mr Arsfat, in Davos, Switzerland,

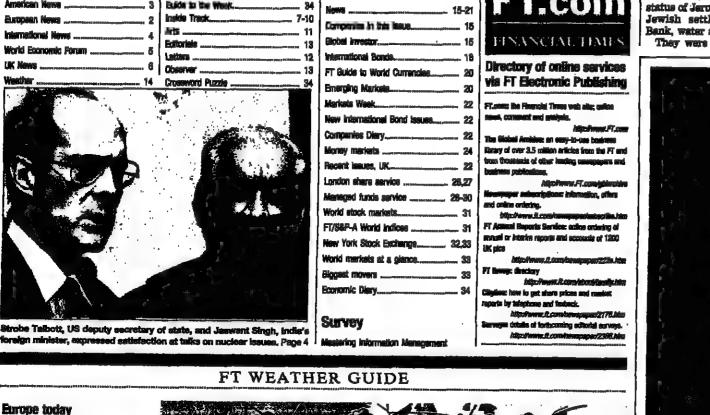
to attend the World Economic Forum, will meet US president Bill Clinton in Washington this week. He has already been advised by the US and European Union to wait another few months before declaring a state. Diplomats are concerned a unilateral declaration would be untimely,

given that Israel holds elections on May 17. "Any [Israeli] party could tage," said a diplomat.

Israel, they added, could use the declaration as an excuse not to hand over any more land, making the Palestinian state an unviable patchwork of cities, towns and viliages cut off from each other by settlements and the settlers' by-pass roads. Mr Netanyahu has threatened to retake Palestinian cities.

Deputies said neither the US nor Palestinian officials, however, also the European Union would recognise believe the Palestinian Authority is far from prepared to declare a state. Those involved in the debate said reforms must first be introduced to underpin the new country.

There was, they said, no constitution that - among other things would delineate Mr Arafet's powers. There was no separation of powers between the executive and arms of government, no independent judiclary and no checks and balances on



Companies & Finance



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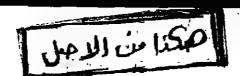
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FINANCIAL TIMES

COMPANIES & MARKETS

MONDAY FEBRUARY 1 1999

PUBLICLY TRADED IN THE U.S.A. SEC Registered Public Company Merger r "Customized Registered Spinoff" for companie

BrokerLink/Pierce Mil

to settle

Belgium

pays \$100m

dispute with

By Richard Waters in New York and Jim Kelly in London

Merrill Lynch, the US

investment bank, has paid the

Belgian government around

\$100m to settle a dispute over

currency derivative transac-

tions it undertook with the

Though kept largely under wraps, the dispute, which

dates from the early 1990s,

resembles the public row over

currency derivatives between

Bankers Trust and Procter &

Gamble. That case ended in

Bankers Trust paying \$150m and led to an overhaul of the

Merrill and the Kingdom of

Belgium vesterday confirmed

they had resolved their deriva-

tives dispute last year, though

no statements were made at

the time. Merrill is believed to

have paid \$100m to cover some

of the losses the country suf-

fered on the currency options

contracts. Belgium had been

News of the settlement will

come as another black eye for

Merrill, which last year paid

\$420m to settle claims from

Orange County, the Califor

nian local authority which filed for bankruptcy in 1994 after its dabbling in the deriva-

tives market came unstuck

during that year's bond mar-

seeking \$300m.

bank's senior management

country's Treasury.

OptiMark trading system goes live

OptiMark, a revolutionary electronic sharetrading system, has traded its first batch of shares. OptiMark automatically matches buyers and sellers via a patented computerised algorithm, in trading cycles performed every two to 10 minutes. The company believes that by guaranteeing investor anonymity and reducing trading costs, it will tap a vast pool of hidden trad-ing demand. Page 18

The prince and the film company When Prince Muhammad Bin Bandur Abdul Aziz, one of the more obscure members of the Saudi royal family, expressed interest in buying PolyGram Filmed Entertainment last summer, no-one believed him - least of all Seagram, the Canadian entertainment and drinks company that is selling it. But it is taking him seriously now, after he placed \$50m in an escrow account as a deposit on the deal. Page 21

Interest rates in the spotlight

tatehood

likely to focus on prospects for further monetary easing. The Bank of England, the European Central Bank, and the US Federal Reserve are all meeting this week to decide on interest rates. The Bank of England is expected to announce a cut in rates, while the Fed

Currency markets are

and the ECB are expected to leave rates unchanged. The Brazilian Real, which plummeted to new lows last week as foreign ourrency continued to pour out of the economy, is likely to keep dealers edgy. Page 24

Argentina feels the heat from Brazil Argentina is bracing itself for the fall-out from the Brazilian devaluation of the Real. The Argentine economy was already slowing sharply through the second half of last year and many private sector analysis have reduced their 1999 growth forecasts to zero. However, the stock market has so far taken the battering of bad news better than some had feared. Page 20

Pfandbrief sector reinvents itself Germany's famously insular Pfandbrief market bonds backed by mortgages and public sector loans - is re-inventing itself as a truly international market, demonstrated by DePfa Bank's taunch last week of a global @3bn (\$3.4bn) Pfandbrief bond, Page 18

Jo'burg to move to electronic trading The Johannesburg Stock Exchange is to under take a complete overheul of its settlement systern and begin switching to paperiess trading unsettled trades and improve its reputation for transparency and efficiency. Page 20

Tokyo market set to slip The Tokyo stock market may be pushed down over the next few weeks as companies revise down earnings estimates and begin to unwind cross shareholdings before the March year end, says Gerry Evens, strategist at HSSC. Page 22

FT GUIDE TO THE WEEK

full listings Page 34

US OPEN MARKET COMMITTEE MEETS The Federal Reserve's open market committee begins a two-day meeting in Washington to review US interest rates tomorrow. The committee, chaired by Alan Greenspan, is not expected to raise rates, in spite of indications at the end of last week that the US economy is continuing to grow strongly. LAUNCH OF THE DUST COLLECTOR

Nasa is scheduled to launch its Stardust mission, the next stage of its Discovery project, on Saturday. It aims to collect a sample of comet dust and return it to earth in 2006. SNOW BUSINESS

The 50th snow festival opens on Thursday in Sapporo, Japan, where 20 countries compete to produce the best ice sculpture.

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Banks cut credit to Chinese trust Merrill

Fujian investment company squeezed as foreign lenders retreat in the wake of Gitic closure

By James Harding in Fuzhou

Foreign banks have cancelled provisional credit lines worth \$100m to a leading Chinese trust and investment company, underlining the severity of the credit squeeze facing corporate China's overseas

Fujian International Trust and Investment Corporation (Fitic) has been forced to renegotiate payment schedules on three international bank debts, as foreign lenders have with drawn loan quotas and caused relatively difficult liquidity situation", according to a senior company official.

and investment companies - year and possibly next. known as Itics - have been starved of credit since the closure of Guangdong Interna-Corporation (Gitic), a provincial government-backed investment agency with debts of

Chinese risk In an interview, Xin Shimin. In an interview, Xin Shimin, But, he reassured interna-vice chairman of Fitic, the tional lenders that such coninvestment arm of the Fujian provincial government, said foreign bankers' fears of further Itic closures would make it impossible for the company, as well as any other provincial

into retreat from corporate

China's international trust Ities, to borrow abroad this

Foreign thought "the closure of Gitic was the beginning of a Chinese tional Trust and Investment financial crisis . . . they thought all the Itics would be closed," Mr Xin said, explaining the refusal of overseas \$4.37bn, sent foreign banks lenders to extend fresh credit in the wake of the Gitic closure in October.

cerns were misplaced, "Gitic was a special case. We are a normal case," he said, adding that both the Fujian provincial governor and Zhu Rongji, the prime minister, had signalled

support for the company, and an important channel of "Fitic will definitely not be closed," he said.

The future of other trust and investment companies in Fujian. a relatively wealthy trading province on China's eastern seaboard, was less certain. Of the 11 Ities in Fujian, only two or three - including Pitic and Xiamen Itic - are expected to be left after the planned restructuring, he said.

The Itics, which have estimated foreign debt of about \$15bn, are tiny by comparison with China's big four banks, but they have been some of the most prominent Chinese

the government's continuing borrowers from foreign banks foreign funds into infrastructure projects.

Fitic, which has assets of RMB11bn (\$1.3bn), has two outstanding global bond issues - a \$100m Yankee bond due 2007 and a Y14bn (\$122m) Samurai bond due 2006 - as well as foreign bank debt of \$280m, of which \$30m is short-term. Restructuring has already made more than RMB400m in funds available so "there will be no difficulty in making payments on foreign loans," Mr

Fittic fights backlash, Page 20

Italian ruling may limit Murdoch pay-TV soccer

The Italian government is to limit the rights of any one pay-TV organisation to broadcast Saria A soccer, in what will come as a blow to Rupert Murdoch's plans to broadcast all matches played in Italy's top league. A decree passed by the Ital-

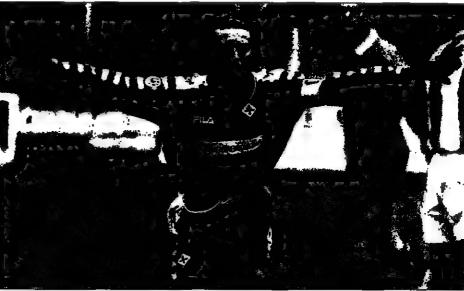
ian cabinet means that no organisation can own the rights to broadcast more than 80 per cent of Serie A matches from next year. Mr Murdoch's subsidiary News Corporation Europe had been bidding to acquire all rights to broadcast the football championship between 1999 and 2005.

The new decree also proposes that, if only one pay-TV company bids for the acquisi-

tion of broadcasting rights for Serie A matches, the contract can only last a maximum of

Mr Murdoch had been plan ning to buy up to 80 per cent of Stream, Telecom Italia's pay-TV unit, using the com-pany as the vahicle to broad-cast Italian football. The new measure could now derail plans by Stream to mount an effective challenge to Telepiu, the Italian market leader in Italian pay-TV and a unit of Europe's number one pay-TV network, Canal Phis.

Analysts believe that the government's decree is mainly aimed at preventing Mr Murdoch getting a grip on the Italian TV market. But Italy's communications undersecretary, Michele Lauria, said



the decree was "not aimed at ian Soccer League has werned favouring or hurting anyone". He added: "We could not let one company gain the exclusive rights in a leading sector in such a delicate phase for Italy's pay television. The decree has triggered

that the decree impedes competition and discriminates against soccer clubs, several of whose chairmen may challenge it.

Italy's opposition parties also attacked the move. "It is a

cabinet decree for complex competition legislation in the field of sporting rights. Such a move is neither timely nor logical," said Paolo Romani, Marco Follini and Mario Landolfi, spokesmen on communications policy for the opposi-

Reutera ket upheaval. The US bank refused to discuss details of its derivatives dealings with the Belgian Treasury, but said it had "conducted this relationship properly and professionally and this resolution does not imply otherwise". The dispute was tied to

losses Belgium suffered on so-called "power options" - a form of derivative which multiplies potential profits and

Initially, the Belgian governnent is believed to have profited from the trading but the currency fluctuations after the European currency crisis of 1992 brought about a sharp reverse. At one point, potential iosass on paper are thought to

have stood at \$1.2bn. Like Procter & Gamble. which accused Bankers Trust of not disclosing the full risks in the currency derivatives it bought, the Kingdom of Balgium claimed it had been misled about the power options by Merrill salespeople.

Brazil plans to privatise Eletrobrás this summer

Brazilian officials say they intend to privatise Eletrobras. the government's electricity holding company, this summer in spite of the country's economic turmoil since the Real collapsed two weeks ago.

Ipio Borges, head of the govrnment's BNDES development bank, which manages Brazil's privatisation programme, said he planned to start privatising the federal government's 70 per cent stake assets of Eletrobrás in July.

The BNDES would break these companies into nine operating units by the end of May and publish tender documents by June. He hoped to complete the sales by August. An investment banker advis-

ing the government on the privatisation said: "These are fantastic assets and they will be sold whatever happens. If there is still [market turbulence] all the government have to do is alan a minimum price

He said he expected strong international demand for these companies, even though recent privatisation auctions have not attracted great interest. Analysts fear inflation could erode revenues at utilities, because regulators only review

tariffs once a year. Mr Borges said the Eletrobrás companies would be sold with about R\$6.2bn (\$8.1bn) in debts on their balance sheets Roughly 40 per cent of the

strategic investors, who would hold most of the voting stock, and 30 per cent would be sold in the market. The remaining 30 per cent of the companies is aiready traded in Brazilian stock markets. The Eletrobrás transactions

will probably be among the largest of several state and federal privatisations planned for this year which officials hope will raise about \$20hn.

trobras units, CHESF, which

north-east, will be divided into three transmission units and one generating company. Furnas, which supplies the prosperous south-eastern region. will be split into two new generating companies and one transmission company. Eletronorte operates in the remote northern region and its generating and transmission activities will each be hived off into a single unit,



PAUL ABRAHAMS GLOBAL INVESTOR

buy-backs.

Managers behaving badly

expecting an end to Tokyo's nine-vear bear market have had a frustrating 12 months. Since January last year, the Topix index of all first section shares on the Tokyo stock exchange has, in dollar terms, underperformed the S&P Composite by 30 per cent and the FTSE Eurotop 300 by 13 per cent. In local terms, the Topix has basically been static, while the yield remains a parsimonious 1 per cent. It is not an impressive return for foreign investors in the world's second largest

Such a performance should be no surprise. After all, since 1991 when foreigners became net buyers of the Japanese market, they have invested a cumulative Y25,390bn (\$227.8bn). Over the same period, the Topix has fallen 35 per cent. Nevertheless, there remain optimists who believe the market is undervalued.

However, on a price-earnings basis - and I suppose there are still investors using such criteria - the market looks on the contrary, overvalued. On a trailing basis, the Topix is trading at 173 times earnings. Stripping out the financials after all, those Japanese banks are in a mess so they should not be included - the market is trading at about 60 times earnings, which hardly ippears a bargain. And most international brokers are predicting earnings will fall over the next 18 months. HSB0

Securities forecasts pre-tax

among pon-financials will

profits excluding exceptionals

plunge 35 per cent this fiscal year, and 16 per cent next True, cash flow valuations

appear more generous. If depreciation is added back in There are two problems. the market is trading at about 12 times cash flow. Assuming that at some point depreciation falls sharply, the market, in theory, should benefit from the additional apanese groups tried to cash generated either through higher dividends or share supply would ensure that But this argument is based on erroneous assumptions. Second. although many Firstly, depreciation is operating assets may, in unlikely to fall fast any time soon. Although four

consecutive quarters of negative economic growth have resulted in high minimal Japanese stocks will look inventories and plunging output, Japanese compani better value only when continue to overinvest. In Japan, purchases of new equipment and plant still account for about 14 per cent of GDP. In the US, where the economy is probably near its peak this cycle, the equivalent is 9 per cent. The problem is that

Japanese companies just cannot rid themselves of the unfortunate habit of investing in non-economic projects that destroy value. Even if they stopped overinvesting, there is so little commitment to shareholder value that increasing the dividend or buying back shares in large quantities is simply not on the agenda. The most persuasive valuation method looks to be price-to-book. The market is trading at about 1.7 times book

value. The argument goes that

the book value of essets such as land acquired during the 1960s and 1970s does not reflect true value, even after the property crash.

First, most of these assets are not realisable. In the industrial sector, there is no market for the sites of steel plants and petrochemical complexes. If realise their commercial sites on any scale, the additional property prices plummeted. theory, be undervalued on the halance sheet, the ability of incombent management to generate returns on them is

Japanese companies are better managed. The list of groups paying attention to investors, restructuring portfolios, cutting costs and investing in projects with positive net present values is short. It includes Sony, Takeda, Kao, and Hoya. The problem is that they are not cheap and, respectively, foreigners own 45 per cent, 23 per cent, 23 per cent and 19 per cent already.

in Japan, there is no method of replacing bad managers, no matter how incompetent. Shareholder activism is a sad joke and the system of cross-shareholdings prevents hostile takeovers. Until there a transformation in Japanese managers' priorities, there is little chance of a sustained rally. Paul Abrahams@fl.com

Who's helping the world's largest corporations transform the way they manage rsk and control?

Nomura sets up £1bn infrastructure fund

Nomura International, the European arm of the Japanese investment bank, has set up a £1bn infrastructure fund with Serco, the UK engineering company, to bid for public infrastructure pro-

The Serco Nomura Infraaddition to Nomura's Principai Finance Group, which specialises in financing

acquisitions. Nomura said of Thorn, a consumer goods the fund - which will focus rental company, William on public-private partnerships - has been set up to bid for services such as London Underground and Air Traffic Control, should the government decide to privat-

Nomura would provide the funding for a bid while Serco PFG has financed the acquisitions of the Ministry

Hill's 1,500 betting shops and more than 6,000 pubs. Nomura would usually keep an acquisition for

between five and seven

years before flotation or

"Nomura will underwrite the financial risk of taking on large infrastructure projects." said Guy Hands, managing director of Nomura International's Principal

This fund will combine financial resources with Serco's operational expertise. There is an international trend towards outsourcing

facilities management." Serco, an international systems engineering group, runs services such as Lon-don's Docklands Light Railway (DLR), the UK's four-

"Our presence in the Asia a clear desire by federal and state governments to vate partnerships in a similar vein to the UK," said

Richard White, the chief executive of Serco. The PFG, which has pioneered securitisation business in London, is one of Nomura's most profitable,

take much of the potential over or privatisation, while

Nomma's standard model and switch the assets into a which issues short-term bonds to refinance the pur-chase. The assets are effec-

Marston/Wolverhampton

COMMENT

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to default

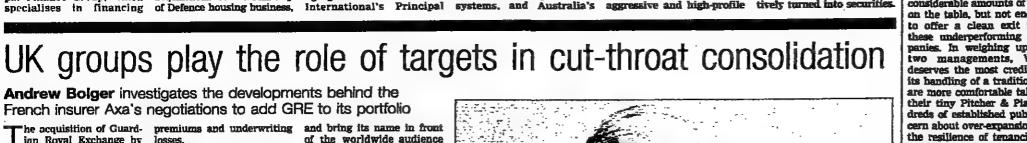
Investors in Marston, Thoms son and Evershed will be staring into their pints for inspiration as Thursday's closing date approaches for Wolverhampton & Dudley's 2290m bid. They have been treated to contrasting management strategies and to a rare "Pacman" defence considerable amounts of cash

involving Marston bidding for W&D. Both sides have put on the table, but not enough to offer a clean exit from these underperforming com-panies. In weighing up the two managements, W&D

deserves the most credit for its handling of a traditional pub portfolio. Marston's bosse are more comfortable talking about retail brands - such as their tiny Pitcher & Piano chain - than about their hundreds of established pubs. This looks out of step with concern about over-expansion of theme pubs. It also underplays the resilience of tenancies in more difficult times. On the brewing side, Marston has rightly questioned whether a regional company needs three sites. But if W&D falls to make decent returns, it can steal Marston's ideas. Investors left with a stake in an enlarged W&D might expect 2000 operating profits of about £100m, interest cover of three times and carnings per share of 60p-70p – an undemanding multiple of seven. This looks less risky than Marston's plan to take on more debt, close breweries and sell most of the pubs. Radical, but this management seems too keen on starting from somewhere else.

Competition policy

Stephen Byers is living up to his advance billing as potentially as pro-enterprise a trade and industry secretary as his predecessor, Peter Mandelson. He may not have made a final decision on removing government from the day-to-day bustness of vetting takeovers, but that is the way he is heading. And a healthy move it would be. As with setting interest rates - before that job was passed to the Bank of England when ministers meddle with mergers political considerations can too easily trump what is best for the economy. There are some caveats, notably the need for the government to retain oversight of defence deals. But Mr Byers is being too protective by suggesting ministers should also be involved in newspapers deals. It is hard to think of a sector where party politics play a greater role.



Andrew Bolger investigates the developments behind the French insurer Axa's negotiations to add GRE to its portfolio he acquisition of Guard- premiums and underwriting and bring its name in front

ian Royal Exchange by Axa, the French insurance group, could both continue the process of crossborder consolidation sweeping the European insurance industry and sharpen competition in the cut-throat British general insurance mar-Axa, which vies with Alli-

anz of Germany to be Europe's biggest insurer, says the launch of the euro has strengthened its desire to bring its European businesses together to create a single identity.

Claude Bebear, chairman, says: "Our domestic market is no longer France, it is really the whole European

Axa already controls a UK composite insurer, Sun Life and Provincial Holdings, which is mainly in the life insurance and pensions sec-

However, the French group has made it clear that it wanted to expand its UK presence and did not share the market's hostility to general insurance, covering motors and property. This has been suffering recently from overcapacity and the entry of cheaper direct-sales Although Axa would be

unable to take as many costs or jobs out of GRE as a British rival such as Royal & Sun Alliance, it is confident it can improve the the group's general insurance underwriting, which has deteriorated as it struggled to maintain market share.

A man who would take on a leading role in sorting out GRE's general insurance business is Andy Homer, obtal seoccurive of Area Insurance, Sun Life and Provincial's general insurance subsidiary.

He was poached last year from his position as head of the London insurance market operations of CGU, the composite insurer formed by the merger of Commercial Union and General Accident. Mr Homer, said then that he was joining a company that was aware of the importance of global branding and prepared to back its ambi-

tions with financial clout. Axa confirmed its brandmer with its announcement that it would spend £40m over four years as the new commercial sponsor of the FA Cup, a deal that would However, when the bid-raise its profile in the UK ding came to a climax this

that watches the FA Cup final_

When Mark Wood, chief executive of Sun Life and Provincial, last month announced Mr Homer's promotion he said: "Andy has made an immediate impact on our property and casualty appointment as chief executive of Axa Insurance in the summer, and his appointment to the board means that we will be able to benefit from his strategic thinking across the whole of our group in the UK."

Regardless of how Axa fares with GRE, the bidding war for one of the venerable names in British insurance has thrown a harsh light on its domestic competitors.

When, following an

approach by Axa. GRE said in November that it would consider offers for all or parts of its business, a variety of big insurers expres interest, including CGU, Germany's Allianz, and Allied building intentions last sum- Zurich, the product of last year's merger between Zurich Group of Switzerland and the financial services arm of BAT Industries. However, when the bid-



three serious bids on the table and only one of those was from a British company: Royal & Sun Alliance.

Royal & Sun's own offer board were dubious about Mendelsohn, an American, if a deal was amounced. was appointed chief executive a year ago after the UK companies are worth

weekend, there were only merged group's cumbersome board structure proved untenable, but the market was clearly nervous about digest another sizeable faitered because the GRE acquisition. Royal & Sun's shares had already fallen 5 the shares element of its per cent and GRE feared shares and cash offer. Robert that they would fall further

more to European companie seeking to build transnational operations than they are to their domestic competwant to reduce the British industry's overcapacity and rebuild premiums.

The European insurance industry is clearly shrinking but, so far. UK companies The outcome suggests that are playing the roles of tar-

GM not actively pursuing Nissan

General Motors is not actively pursuing a takeover of Nissan and has no plans to top Ford Motor's offer for Wagoner, the US automaker's president and chief oper-His comments, which will

be broadcast in an interview with a BBC radio prodouse some of the more hoping to cut costs in its and savings accounts. Each advertising agencies to run a and options market will con-Park made his losses. The firm were frozen by the erupted in recent weeks or negotiations." about GM entering bidding wars for both automakers.

Asked whether GM would consider buying Nissan or a European company, Mr Wagoner said: "We have not given any serious consideration to that and I wouldn't anticipate that kind of move

on our part." Despite his comments, GM executives have indicated that international acquisitions could come to play a bigger part in the US company's attempts to expand in Asia. In an interview with the Financial Times

tions would have been have created opportunities to buy local producers.

The US company's push likely to rely on its existing links with Suzuki and Isuzu. said Mr Wagoner. "I guess it would be inappropriate for me to rule out other things happening, but I have to tell gramme today, appear to you honestly, that there's not anything at all in any heated speculation that has serious state of discussions

In an effort to boost the performance of its existing operations, meanwhile, GM has set a far more demanding set of largets for its top executives. These include tying executive pay more closely to the performance of the company and its stock price, and setting more

ambitious profit goals. The initiative marks GM's latest efforts to revitalise a management culture that has failed to deliver the sort of improvements that were hoped for when independent directors forced a shake-up recently, Jack Smith, chair- of top management six years

Barclays to cut £300m costs on retail operations over Griffin collapse

largest high street banks, is such as current accounts retail banking operations by more than £300m in a restructuring.

The savings - in a drive headed by John Varley, the retail financial services division's chief executive - will come from removing duplication in areas such as marketing and human resources. and are likely to lead to hun-60,000 staff over the next 18 months.

The retail banking opera-

Introduced on the stock

exphange in June 1998;

Rhodia is one of the

chemicals Present

in 135 countries with

23.500 employees.

Rhodia generated sales of

5.537 million aucos în 1998

world leaders in specialty

ier customars. This replaces the old structure based unit, with its own management structure and separate

relationship with its custom-Opportunities for cost cutting are especially signifi- of giving a "fresher look" to cant in areas such a marketing, which employs about 200, human resources and back office transaction prodreds of job losses among its cessing. There were no details of exactly where the

losses would fail. The review of costs, with tion, which is the most prof-table area for Barclays, was consultants", has just

likely to be accompanied by attempts to reinvigorate the Barclays, one of the UK's around different products Barclays brand.

new campaign to promote the Barclays corporate brand, instead of its traditional focus on advertising each product individually.

It is also looking at ways its blue logo, which has not changed for thirty years. The hank is testing a prototype branch in Stockport. which opened in November, and has a range of new facilities, including PC and telephone banking.

Investors are expected to welcome the changes. Barreorganised on January 1 started and concrete results clays' shares have failen into two areas, catering for are not expected for some from a high of almost £20 return of DM5m from Mees selves on the London Inter- son & Horrocks, the City is the mass market and wealth- months. The moves are last year to £13.60 on Friday.

Traders ponder legal bid

take legal action to recover DM5m (£1.8m) relating to the collapse of Griffin Trading, a derivatives firm shut by UK regulators before Christmas. The legal move is seen as

the last chance the locals have to recover all their money from Griffin. It was shut down when John Park. an independent trader who used the firm to clear his trades, incurred losses of 26.2m investing in futures contracts on German government bonds.

Locais are seeking the

used by Griffin to clear and Options Exchange have transactions carried out on had their livelihoods threatmoney was transferred to the bank to meet a margin call on Mr Park's failed transactions. Locals instat it belonged to them and not Griffin, and should not have been used to meet the call. Finbarr O'Connell of

liquidator, said he was a claim against MeesPierson or any other party". It is would hinge on that assessment. The bank could not be reached for comment. About 50 locals who trade for them-

A group of independent Eurex, the German/Swiss ened since Griffin collapsed. The bank is talking to traders on London's futures derivatives market where Mr Their accounts with the Securities and Futures Authority, the regulator, and so far only about 10 of them have been able to raise new capital to continue trading.

Bach trader is understood

to have between 25,000 and £100,000 tied up in Griffin. Grant Thornton, Griffin's They were told they would get half of their frozen 'assessing whether there is money back within two months. But it is believed or any other party". It is they could get all their believed any legal move money back if they secured the DM5m. "We have had favourable advice from our German lawyers," said Hugh Bryant, a partner at Williamson & Horrocks, the City law

1998: the first step to progress

An increase in gross operating margin from 11.9% to 14.5% An improvement in net result of 1,233 million euros

Strong resistance to economic pressures

The decrease in business volume in the second half of the year had a negative impact on sales (-2.2%) but prices remained stable (-0.2%) which demonstrates less cyclicality in Rhodia's businesses.

An 1896 increse in SBITTA

The improvement in the EBITDA is due to lower price of raw materials and productivity measures implemented in Rhodia's plants.

In order to meet its objectives rapidly, Rhodia has launched further productivity measures. A provision of 85 million euros was made in 1998 of which 60 milfrom curos were allocated to site closures. These extraordinary items will result in recurring annualized savings of 45 million euros.

Healthier financial structure

An increase in capital of 2.2 billion curos in 1998 enabled the company to reduce debt from 3,404 million euros in 1997 to 1,136 million euros on December 31, 1998. This debt reduction will enable the company to achieve savings in financial costs of 75 million euros per year as from 1999. The debt/equity ratio which was negative in 1997; improved to 52% at the end

Focus on specialty chemicals

Rhodia continued to focus on less cyclical activities with higher added value by completing 16 divestitures in 1998, representing 430 million curus in sales. In particular, the Group sold all its polyester interests in Europe as well as the first stages of polyester in Brazil. In parallel, Rhodia has reinforced its position in

First divident payment: 30% of set income

At the next Board meeting, a proposal will be made to pay dividends totaling 35 million euros, representing 30% of net income, as previously indicated to shareholders. Should the proposal be approved at the shareholders' General Meeting to be held on April 15, 1999 in La Défense, the dividend per could be fixed at 0.30 euro, including tax credit.

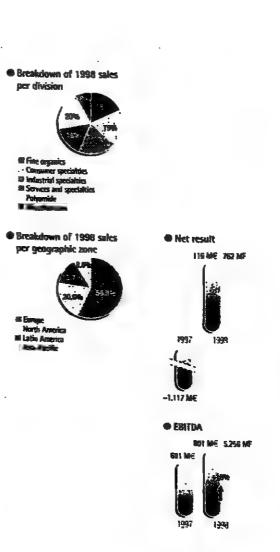
Despite a weak economic environment that will no doubt continue during the 1999. A certain number of decisions taken in 1998 will au positive effect on the net income for 1999 (provisions, improvement in margins due to the divestiture of less profitable businesses and reductions in financial costs). Furthermore, certain company-wide measures have been launched to accelerate these changes? "Purchasing" program; revision of innovation process; reduction in fixed costs; improvement in industrial performance; development of a results-oriented culture. The progress made in 1998 and improvements forecast for 1999 will ensure

Rhodia's recovery and its capacity to create value for its shareholders.

The best is yet to come

	1997	1998	Change	1998
	M€	WE	%	MF
Net sales*	5,703	5,537	-3	36,323
EBITDA"	68 T	801	+18	5,256
Net result	-1,117	116		762
Earning per				
share (F and €)	-6.42	0.67	_	4.37
* On a companie haps	enclusion extens	dament dame		

Rhodia



صكنا من الاجل

Volvo woos other truck companies

By Tim Burt in Stockholm

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Volvo, the Swedish automotive group which last week agreed to sell its car division to Ford of the US for SKr50bn (\$6.4bn) is in intensive talks with at least two heavy truck manufacturers could double the size of its commercial vehicle

Volvo has also made a separate approach to Scania, the Swedish heavy truck manufacturer that is controlled by investor, the main holding company for Sweden's Wallenberg business

"Discussions are being pursued at the highest levels." said one person familiar with the negotiations. Bankers close to Volvo have emphasised that the company has other options in commercial vehicles, apart from Scania. Of the other potential bid targets, it is presence. Paccar's Daf subthought that Paccar of the sidiary would also provide a

and Arkady Ostrovsky

Oneximbank, one of Russia's

most prominent financial

groups, is on the verge of

technically defaulting on the

servicing of an international

bond, in a new indication of

the escalating crisis facing

The bank, the principal

vehicle of the business "oli-

garch" Vladimir Potanin, is

expected to fail to meet its

obligation to pay a \$13m cou-

pon that falls due today on a

However, the group is

already at an advanced stage

of discussions with its credi-

tors, and is expected to make

an announcement during the

ture the interest payments

\$250m hond issue.

grace period.

the country's businesses.

US and MAN of Germany rank highly for Volvo. Navistar, another independent US manufacturer, has also been named as a possible partner.

However, analysts noted that Seattle-based Paccar, believed to be controlled by the secretive Piggott family, about an acquisition that had been on the acquisition - rather than disposal - trail and expressed surprise that the company might be up for sale. By contrast, MAN shares surged to €237.50 on Friday on speculation that MAN Nutzfahrzeuge, MAN's trucks subsidiary, might be on the block. However, the group, which also manufactures industrial and printing

> its commercial vehicles. Both Paccar and Navistar declined to comment. Volvo is known to have approached MAN in the past, while a deal with Paccar would enhance its US

Oneximbank near

to bond default

equipment, has consistently denied any plans to spin off



second European leg for Volvo, "We will do acquisitions and we intend to be aggressive to use our financial strength to develop our commercial side," Volvo

Talks with rival truck manufacturers have intensifled after indications that

per cent stake in Scania. Shares in the Swedish heavy truck group closed at SKr239.50 on Friday, valuing

the company at SKr47.9bm. Volvo earlier this month paid SKr5.2bm for a 13 per cent stake in Scania, prompting accusations from Inves-

hostile bid. The Wallenberg group has also made clear it was in talks with other manufacturers about an alternative alliance.

"Consolidation is required in the truck industry but everyone wants to be buyers rather than sellers," said John Lawson, automotive analyst at Salomon Smith Barney in London. "There will be a clear correlation een price and availability." Other industry analysts warned that Volvo's position would not necessarily be strengthened by the proceeds from its car division

disposal. They are seen as rather anxious buyers and that is not the easiest bargaining position to start from," said one analyst in Stockholm.

Following the disposal of the car division, Volvo's truck arm will become its single largest business. It is

thought to have contributed profits last year of SKr2.9bn

tor that it was preparing a JDS Uniphase set to raise pace of change

ny's failure to meet the conpon payments on a floatingrate note last week, which By Scott Morrison in Toronto triggered a 14-day grace period in which Oneximbank The recently announced has to pay the coupon. merger between fibre optic Stephen O'Sullivan, an component manufacturers analyst at the Moscow-based JDS Fittel and Uniphase is United Financial Group, said likely to accelerate developa default on the bond would

ment and reduce costs in the telecommunications systems be a worse signal for the markets than simply being manufacturing industry, say unable to pay a floating-rate analysts. note coupon. "It would raise The merged company, to the possibility of other be called JDS Uniphase, defaults on the part of corpowould be able to provide manufacturers such as Norrate issuers," he said. The news comes as contel Networks and Lucent cern is growing about Rus-Technologies with integrated

have virtually no product

sla's ability to service its modules, rather than sepaown sovereign debt. It has rate components, which they already missed payments on could quickly input into restructured Soviet-era comtheir systems. Analysis said that would mercial debt but the Russian day on its plans to restruc- finance ministry has cut development time and attempted to draw a sharp lower costs in the rapidly in time to meet a two-week distinction between Sovietevolving telecoms systems industry, a sector in which era debt and post-1992 debt Failure to bonour the debt issued by the Russian Federproduct cycles are being sigwould represent a new step ation, which it claims is nificantly compressed and "untouchable". time-to-market is critical. Oneximbank, whose total | They predicted Uniphase's supplier.

acusts from rival banks Most creditors follow the compa- and Menater.

overlap, but essentially more quickly would allow serve the same customers. Canada's JDS Fitel produces wavelength division multiplexers, which separate light beams and enable fibre optic cable strands to carry a greater amount of

Uniphase, its US merger partner, produces components such as pump lasers, which provide optical power for amplifying devices used to boost fibre optic signals across long distances.

Systems manufacturers. which have until now been forced to combine these separate components into their networks, have been asking their suppliers to provide integrated modules to simplify and accelerate the production cycle. The merger will enable

systems manufacturers to 2004, according to Ryan Hanprocure their fibre optic kin Kent, a US telecoms components from a single

way to meet the module demands of our customers," said Mr Muller. Enabling systems manufacturers to market products deal was announced.

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telecoms carriers such as MCI WorldCom and Sprint to develop more advanced networks with greater capacity in less time, said Mr Muller. Jozef Strauss, JDS Fitel's chief executive, said be expected the combined company would deliver its first component module within six months of the merger.

panies already supply manufacturers such as Tyco, Siemens and Pirelli. JDS Uniphase would concentrate on research and manufacturing products for

Analysts said the two com-

the submarine, long-haul, metropolitan and cable television fibre ontic markets. The optical components market, thought to be worth US\$2.3bn in 1998, is expected to grow to almost US\$7bn by

industry analysis firm. The "merger of equals" "If we did not merge, we would create one of the of its activities around four would have to find another world's largest and most advanced manufacturers of fibre optic components with a market capitalisation of

Paribas, SocGen **'talking** on link'

By Samer iskandar in Paris

Société Générale and Paribas, the French banks, have revived talks over a possible link, according to Le Figaro, the daily news-The news comes as spec-

ulation is intensifying that a ong-awaited rationalisation of the country's banking ndustry is imm Paribas, which is also believed to have been

mproached – unsuccessfully by Banque Nationale de Paris, confirmed it was in discussions with several French banking groups". SocGen could not be reached at the weekend.

Analysts believe Paribas's successful niche strategy in investment banking would complement the activities of larger retail banks such as SocGen and BNP, which

have failed to challenge the dominance of large US nvestment banks. Paribas is also France's largest participant in the

consumer lending market, an activity that offers potential synergies with the banks' branch networks. Paribas's future has been the subject of speculation

ever since Axa, the insurance company that is its largest shareholder, pressed the bank's management late last year to make its strategy "more convincing". Rumours have associated it with BNP, in which Aza is also a large shareholder.

The choice of a partner for Paribas could also decide the future shareholding structure of Crédit Lyonnais, the bank due to be privatised in coming weeks after a statebacked rescue. Axa, SocGen, BNP and

Paribas have all expressed interest in taking stakes of more than 5 per cent in Crédit Lyonnais, Paribas, which sold its retail banking operation, Crédit du Nord, to SocGen last year, has an arrangement to sell some of Lyonnais's branch network. announced a reorganisation retailing business.

core businesses: proprietary investments, investment banking, retail financial services and asset management. US\$6.1bn at the time the It also said it was aiming to expand internationally.

Texas group buys Victoria gas assets

By Gwan Robinson In Methoden

Texas Utilities, the US power company, stepped up its involvement in Australia's deregulating power market yesterday with the A\$1.6bn (US\$1bn) purchase of natural gas distribution and retailing facilities from the state government of Victoria, in south-eastern Australia. The sale price was well

above analysts' expectations of A\$1bn-A\$1.2bn and reflected the high level of interest among foreign power groups in Victoria's weeping power privatisation progra

Victoria is the first state to auction its electric power and gas assets, and with vesterday's sale it has now raised more than A\$24bn from energy sell-offs. Analysts said the size of

the deal could trigger a general reassessment of the valuation of Australian utilities. It demonstrated that bidders, mostly from the US and UK, were prepared to pay top prices for Australian utilities, said one Sydneybased analyst.

More significantly, it would encourage other governments to proceed with privatisation plans. Among them, the Western Australian state government is considering the sale of its gas utility, AlintaGas, later this year, probably for A\$850m-A\$1.1bn. The South Australian, Australian Capital Territory and New South Wales state governments are also trying to win political approval to sell various energy businesses.

After final bids closed on Friday, the Victoria government announced yesterday that Texas Utilities Australia beat four other bidders for Westar/Kinetik Energy, a gas distribution and retail company which services the state's western half. The its products through Crédit | utility combines the Westar result in lower gas prices gas distribution network and improved services, and This month. Paribas with the Kinetik Energy gas was unlikely to lead to job

first of Victoria's three gas utilities to be sold. It followed the state's sale of electricity distributors in the mid-1990s and the A\$1.7bn and do nothing to improve purchase last November by reliability of gas supply.

American Electric Power, of the US, of CitiPower, a Victorian electricity distributor. from Entergy Corp, another US company. Texas paid nearly \$2.1bn in late 1995 for Eastern Energy, one of five Victorian electricity distributors sold.

Under its gas privatisation programme, Victoria planned to sell the remaining two distribution and retailing gas utilities, Multi-net Gas/Ikon Energy and Stratus Networks/Energy 21, as well as the state's main gas pipeline network, Transmission Pipelines Australia. before the end of May, officials said. Analysts estimate the gas sell-off would earn the government about ASSbn in total.

For Texas, the acquisition will create the first "multienergy company with coverage across the state", the government said. It also helped realise the government's aim of creating an integrated energy market. with retailers providing a variety of energy products and services, officials said. Bob Shaphard, Texas man-

aging director, said the company had given Victoria a "full and fair price".

"We're able to bring to bear the scale of the operations of Texas Utilities and our experience in operating gas systems...we think we can deliver a more cost-effective product," he Texas would be interested in a public float of its Australian assets in the longer term, once it "demonstrated their worth to the market".

Texas is also building an underground gas storage facility in the state, and accelerated construction last September, after an explosion at Victoria's only gas and oil processing plant crip pled gas supplies. The government said the

sale of Westar/Kinetik would losses. Proceeds from the Westar/Kinetik was the sale of gas assets would go to reducing state debt. But state opposition leaders critwould lead to higher prices

in the financing difficulties fucing Russian companies. Most of the country's busi- debt is estimated at \$525m. hi-tech competitors would be nesses - as well as the Rus- has already shifted its bankforced to merge in a hid to sian Fedoration itself - have ing assets last year into a Keep pace. so far avoided defaults on new entity called Rosbank, Anthony Mulier, Uniwhich has also received phase's chief financial offiinternational bonds. Talks with Oneximbank's cer, said the two companies

REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 1998

Incorporated in Jersey, Channel Islands, Reg. no. 62686

SYAMA MINE Cash profit achieved M Gold production exceeds 20 000 ox for December.

Cash operating costs reduced to US\$274/oz for December.

MORILA PROJECT

Morila deposit doubles in size and is still open. # Measured and indicated resources now 3.2 million oz.

CORPORATE

■ Parent company loan converted to equity, US\$13.4 million cash raised.

Randgold Resources has 33 million shares issued as at 31 December 1998

US \$000 .	Unaudited Quarter ended 31 December 1998	Audien Quarter ender 30 September 1991
Gold sales	[3 76]	11 83:
Total cash costs	13 027	12 091
Cash profit/(loss)	T34	(763
Depreciation	4772 4453	496
Exploration expenditure Other expenses	1791	546
Loss on ordinary application before the	(19 422)	(8 29)
Ounces produced	47 977	41 24
ABRIDGED CO	NSOLIDATED BALANCE SHEET	
	44 684	
Net correct assets	131 457	131 154
Ner current assets Property, place and equipment - net	131 357 12 568	135 154
Net current assets Property, plant and equipment - net	131 457 12 548 189 109	131 154 11 351 185 597
Ner current assets Property, plant and equipment - net Other long-term amets Long term joins	131 457 12 568 189 109 25 097	131 15- 11 35 185 597 45 215
Net current assets	131 457 12 548 189 109	43 093 131 15- 11 351 185 597 45 215 1 185 133 197

COMMENTS

The second phase of the Syama expension and cost reduction programme was successfully commissioned. For the quarter, Syama produced 47 077 outces at a cash operating cost of US\$257 for and generated a cash profet of US\$734 000. Production of 20 873 outces was achieved in December and cash operating costs reduced as US\$224600 for data would. Production of 270 000 outces at US\$210fox is forecast for calendar 1979.

As Morris, the resource estimate his been revised to incorporate the latest drilling results and as nown

San Deposit Resource	Tons (Mt)	Gold (gft)	Ounces (Haz)
Measured	13.17	4,39	207
Indicated	856	4.11	1.13
Merred	7.73	421	• 105
Tetal	29.46	4.48	4.25

ry pit receiving indicates that most of the measured and addicated resources will convert to pro-The trivingly is still open to the north, Additional demond driling it planned during the next extensions. The full backable study will be completed in Marth 1999.

Pull distalls of the results for the quarter and the beaut bord oldenza or comuce Kathy de Plentis on our web-ster weter-periopolicous or correct films of resear or Telephone (2711) 728-4701, Telefox (2711) 728-2547, a-mait gold@do

LVMH MOËT HENNESSY, LOUIS VUITTON 1998 SALES: 6.9 BILLION EUROS

be LVMH - MOET HENNESSY LOUIS VUITTON Group today announced consolidated net sales of 6.9 billion Euros (FRF 45.5 billion), a fall of 5% over the same period in 1997. After a difficult third quarter showing a (3% fall in sales, the fourth quarter was more positive (+2%) and the

Group posted record sales figures in December, up 7% over the same period last year. Factors contributing to these results are the successful launch of new products together with the effects of a stronger Yen and the first signs that the Asian situation is now beginning to stabilise.

Broken down by business activity, sales developed as follows:

Figures in millions	19	97	19	98	*
	€	FRF	€	FRF	change
Champagne and Wines	1,134	7,440	1,254	8,223	+11%
Cognac and Spirits	762	5,000	663	4,347	- 13%
Fashion and Leather Goods	1,837	12,053	1,831	12,011	0%
Fragrances and Cosmetics	1,406	9,220	1,368	8,976	- 3%
Selective Retailing	2,170	14,233	1,797	11,786	- 17%
Other Activities	14	80	17	110	+ 20%
TOTAL	7,323	48,035	6.930	45,459	- 5%

(FRF 45.5 BILLION)

he performance of the Wises and Spirits group was mixed in Champagne, sales volumes grew significantly. Volumes are up 5.9% to reach a total of 58 million bottles. Overail, the year was marked by strong demand outstripping supply in certain markets. The fourth quarter showed an increase of 7% after a steady third quarter. In France, sales volumes remained stable but they increased in international markets, notably in the US and in Japan. In Cognac, net sales decreased by 13% due to lower volumes and sales mix The fall was limited to only 2% in the fourth quarter If demand in Japan fell, this was compensated by the steady growth in demand in the US. This year saw the launch of a number of new products namely Single Distilleries, X.O Grande Champagne, Pure White, Jimmy and Na-Geanna.

◆ Sales of the Fashion and Leather Goods group were stable in 1998 Sales in Louis Voltton Malletier were nearly stable over the year (-1%) in spite of a 3% fall in the exchange rate and the lower level of tourism in Asia. All other areas including Japan showed growth in volume. Market share of Louis Vuitton has increased in 1998. It is worth noting that the excellent performance during the fourth quarter (+8%), and the record figures for December showing an increase of over 13%, have Sephora accelerated its growth in Europe with 1998 figures eliminated the fall recorded at the end of the third quarter. The Louis Vuitton range of products has been broadened following the arrival of Marc Jacobs as designer, the launch of new products (ready to wear, shoes and Monogram permis), and the openine of "Global Stores" (Champs-Elysées, New Bond Street, Soho and Osaka! The Louis Vuitton brand has been further reinforced thanks to a creative advertising campaign.

◆ Sales of the Fragrances and Cosmetics group were down about 3%. This fall, essentially attributable to Parfums Christian Dior, was due to the lower levels of tourism in Asia and to the completion of our plan to cease sales to parallel networks. The successes of Hypnotic Poison at Dior, 17 at Givenchy and Corlolan at Guerlain have all contributed to growth in Fragrances In Cosmetics, we have seen excellent performances by the new lipstick Plastic Shine and the body care range Capture Essentiel at Dior 1998 was marked by the creation of the Fragrances and Cosmetics group which has enabled a reorganisation of our international distribution and the realisation of synergies between the four perfume houses

• The fall in net sales for Selective Retailing is entirely due to the Asian crisis DFS sales are down 34%. The level of Japanese tourists and their average spending levels are both well below those seen in 1997. The Group was able to stabilise this negative trend during the last few months of the year owing to the strengthening of the Yen/S exchange rate. In order to reduce substantially the break-even point a major restructuring plan has been implemented, which led to the closure of certain shops and to the relinquishing of certain airport concessions Meanwhile, a parallel investment programme into "Gallerias" has gone ahead, together with the establishment of Sephora in the United States involving the opening of 14 new stores.

showing a growth of nearly 24% over the same period last year. The acquisition of Marie-leanne Godard reinforces Sephora's position as market leader in France

Sales for Le Bon Marché which was integrated into the group in June 1998, grew almost 2°5. The new "Théâtre de la Beauté" got off to an excellent start Media sales grew by more than 20% with a significant increase

in distribution and advertising billings The full year results for the LYMH Group will be released on March 18th. They will show a decrease over the 1997 level.

interset : www.lymb.com

4.11.3

Pfandbrief sector looks abroad

Germany's famously insular Pfandbrief market – bonds backed by mortgages and inventing itself as a truly international market, demonstrated by DePfa Bank's launch last week of a global €3bn (\$3,4bn) Pfandbrief

Pfandbriefe, which are used to refinance domestic mortgages and public projects, may be issued only by authorised publicly owned German banks, and they therefore enjoy high creditworthiness.

Issuance of jumbo Pfandbriefe - the first genuinely liquid issues to appeal to non-German investors - last month alone stood at nearly €12bn, and the volume of such issues is forecast to rise by 35 to 50 per cent this year to about €300bn.

In volume terms, the total Pfandbrief market, including jumbo issues, amounts to nearly \$1,000bn and is the largest non-government bond sector in the euro-zone

Traditionally Illiquid but safe - there has not been a default on Pfandbriefe this century - the sector comprises thousands of small. individually structured issues enjoying little recognition beyond their narrow

For two centuries the market has been inward looking but now it is being forced to look abroad.

The impetus for change in the sector came in the mid-1990s, as the market considered how to convert itself from a domestic giant into a global player.

"We had a market that tion: was not open to global investors, who simply did not ket has forced the adoption have a picture of the indus- of practices common to the

Deutsche Bank. "We had to prepare this market for the

forme."
Underlying these concerns were the mounting economic costs of German reunification, as banks were lending heavily to finance massive housing and infrastructure work.

The relaunch of the sector started with the first jumbo Pfandbrief issue in May 1995. This was a standardised product that nonetheless offered a break with the past: it had liquidity, size and transparency similar to other agency issues, and is now regarded as the market driver.

This year, the average issue size has reached €2bn. Total outstanding issuance has risen to £214bn and it is estimated that 20 to 25 per cent of jumbo Pfandbriefe are now bought by foreign

"The jumbo Pfandbrief euro-zone market. You can't afford to ignore it if you want to be in the big league," according to Derek Brawn, vice-president credit research, at Morgan Stanley Dean Willer.

The euro has transformed the Pfandbrief from a "legal concept" into a distinct European asset class, said Mr Brawn.

"Many other European countries are now trying to with a 200-year head start. the Germans are way ahead," he said.

Several micro factors have helped: More international banks take part in syndicates selling jumbo Pfandbriefe, which helps distributhe increasing standardisation of the mar-

try." said Ralf Buschmann at international bond market, such as book-building, and finally, the emergence of 'global" Pfandbriefe, which comply with US Securities and Exchange Commission rules on private placements

and therefore open up the market to US, and also Japanese investors. DePfa's ground-breaking global issues in 1996 illustrate the point: some 19 per cent of the paper went to US investors; 28 per cent to investors in Asia and the rest to European investors. Only 13 per cent was sold in

has been the need to improve liquidity. "This is a sector where all that can be done to enhance liquidity is being done," said Mr Brawn. Since January, for example, Pfandbriefe bave enjoyed Tier One category status with the European Central Bank.

Germany.

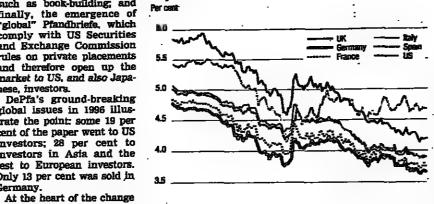
This means that investors market is 7 per cent of the may use them as security for repo activities as an alternative to government agency

> Moreover, Pfandbriefe, which are quasi-agency paper, are a cheaper way of holding triple A paper for use as collateral in repo activities. Jumbos have also emerged

as a safe option during recent "flight to safety" "During last autumn's crireplicate the product but sis jumbo Pfandbriefe out-

performed other credit sectors in the suro-zone and compared with US agency bonds, exhibited less spread volatility," said Mr Brawn.

The spread between 10year Pfandbriefe and equivelent German bunds is presently 35 to 40 basis points, but there is room for narrowing.



all-in costs, liquidity

and borrower recognition.

One reason why this is

not happening now is

because smaller issuers

do not enjoy "borrower

This refinancing will accel-

erate because small Pfand-

brief issues must be re-

denominated into euros by

2002 (only jumbo issues were

redenominated on January 4

the experiment to interna-

tionalise the sector has been

the flop of the Pfandbrief

futures contract traded on

derivatives market.

defaulted, the contract was a

instrument was abandoned.

record and it was too

when the trend now is for

casualty of timing.

The one disappointment to

recognition".

this year).

spread tightening of between 10 and 15 basis points this year, meaning they will outperform German bunds." said Mr Brawn.

Ten-year Dutch bonds trade to yield 11 basis points over German bunds and Italian paper trades at a yield spread of about 25 basis points, compared with a spread of about 35 to 40 basis points on typical Pfand-

Bankers say there will be increasing polarisation between jumbo issuers and the domestically focused minnows.

Within the immbo sector. the big liquid issuers that borrow across various maturities and issue on a calendar programme will command a liquidity premium of at least 2 to 3 basis

Growth will also be fuelled by repackaging smaller, traditionally structured, shortdated Pfandbriefe that are nearing maturity into

The benefit will be cheaper

companies set to list in Europe By Yirginia Marsh Three biotechnology comp

Biotech

arries are planning to come to European markets in offerings that together aim to raise about \$100m.

The move is a sign that investor appetite for the sector on the continent may be returning after difficult market conditions late last year. Analysts also said the planned flotations were a sign of a growing trend among continental biotech concerns to become public companies.

"We expect a lot more to follow suit," said Jane Fiskin at Dresdner Kleinwort Benson. "The continent is mirroring what happened in the UK five years ago when a lot of companies floated." The best known of the

three companies going public is MorphoSys of Germany, which aims to list on Frankfurt's Neuer Markt next month after postponing a planned flotation last

The Munich-based company is to offer 1m shares equivalent to an 80 per cent capital increase. It is expected to be valued at DM140m DM185m (€71.5m-€94.6m \$81.2m-\$107.4m). The lead manager is Deutsche Bank.

Eurex, the German-Swiss MorphoSys, which had Launched just before Russia sales of DM8.9m last year (compared with DM4.97m the previous year), uses a tech-"During the subsequent nique to speed up the discovflight to quality the futures ery of new drugs. It is researching drugs for cancer It just did not have a track by seeking to optimise the properties of proteins and peptides, especially as antifocused on specific (shorter-dated) maturities bodies. Its partners include Pharmacia & Upjohn and Boehringer Mannheim. long-dated paper," said Mr

The two other companies are Biovector Therapeutics a French company that is coming to the Nouveau Marché, and Phytera which is listing on Easdaq, the Brussels-based market for growth stocks, and in Copen-

Biovector, which is already majority-owned by institutional investors including 3t and UBS, aims to raise up to €30.5m through the issue of 5m shares. The price range has been set at €5.2 to €6.1. for a valuation of about \$100m, and the offering is being managed by Paribas, Dresdner Bank and J.P. Morgan.

Phytera, which is developing treatments for infectious in the UK and Denmark, and also has a large proportion of Danish shareholders.

The company, which recently signed a co-operation deal with Eli Lilly of the US, hopes to raise \$30m-\$40m in an offering managed by Société Générale, for a market value of about \$140m post-financing

Biovector, a drug delivery company, had considered floating in London, which has more biotech stocks than any other European exchange. But valuations in the UK sector have plunged in the past year after managreement with Nasdaq that | agement and other problems at several companies.

NEWS DIGEST

CEREALS

Kellogg ends difficult year with 'disappointing' result

Kelloog, the US cereals company, ended a difficult year with earnings it said were disappointing, although they were in line with reduced market expectations. It also said that after new management appointments, cost-cutting and plans to boost its convenience foods side, it was optimistic about returning to growth in 1999. But in spite of the upbeat stance, its shares fell \$1 is on Friday to \$40%.

The Michigan-based group made after-tax profits of \$46.8m in the final quarter, almost three times the \$14.6m of a year earlier, but the figures were muddled by restructuring charges, and the company said excluding unusual items, net earnings fell from \$158.5m to \$93.1m. Net sales were down 1.1 per cent to \$1.56bn.

Kellogg, which now accounts for about 32 per cent of the US cereals market, has been struggling to combat the decline in its core products - as consumer breaktast habits have changed - and competition from local rival General Milis and chesper own-label cereals.

Part of its suggested solution iles in new products, and an expansion of its convenience foods business. It has also been making restructuring moves, in an effort to cut costs. However, after a number of profit warnings last year, analysts are still waiting to see whether the strategy can deliver a turnround in performance. Nikki Tait, Chicago

INVESTMENT BANKING

Dresdner launches AAA vehicle Germany's Dresdner Bank will today launch a structured

investment company aimed at giving its institutional clients the higher yields of a diversified AA average rated credit portfolio through an AAA rated vehicle.

K2 Corporation, which will be managed by Dresdner's London branch, will start with \$100m of assets but aims to grow to \$15bn, according to Alan Harley, co-head of the bank's structured credit investment team. One of only a handful of such companies, it intends to

liminate market risk by hedging its assets and liabilities through to their maturities. K2 is aimed at, among others, euro-zone investors who must adapt to fixed-income markets in which investing based on the credit risk of borrowers has replaced currency and interest rate factors. K2's portfolio will be financed by the issuance of medium-term notes and commercial paper that have been rated AAA by Moody's and Standard & Poor's, it achieves the higher rating by over-collateralisation.

Mr Harley helped set up the first such structured investment company, Alpha Finance Corporation, for Citibank in 1988. He and his co-head, Paul Clarks, joined Dresdner from Citibank in 1997. K2 is intended to be "evergreen", with an 11-year life extended each year. Clay Harris

Deutsche Bank official resigns

Edward Carter, president and chief executive officer of Deutsche Bank Securities, the German bank's US securities subsidiary and head of investment banking for the Americas, has resigned. According to people close to the situation. Mr Carter had been sidelined by the appointment late last year of Yves de Balmann and Mayo Shattuck to head the investment banking business of Deutsche Bank following its merger with Bankers Trust, which was agreed last November.

Mr Carter joined Deutsche in May 1997, from Merrill Lynch, At that time Deutsche was attempting to build its US business organically. The new product heads for the merged US operation are expected to be announced as early as this week. Tracy Corrigan, New York

MOBILE TELEPHONY

Price war starts in Singapore

Singapore's mobile telephone providers started a price war on Friday that led regulatory authorities to call for a surrender at the weekend. The mobile unit of national opera-tor Singapore Telecommunications (SingTel) announced two separate discount packages on Friday. The second was prompted by a reduction in prices by competitor

MobileOne (M1), in response to SingTel's initial move. First, SingTel said it was cutting prices to save customers S\$90m (US\$53.2m) annually. Later, M1, a consortium including Keppel Group, Singapore Press Holdings, Cable and Wireless and Hongkong Telecom, offered new off-peak rates and other benefits. Later still, SingTel came back with a programme, cutting monthly subscription

charges that would save customers S\$78m annually. The Telecommunication Authority of Singapore said M1's application for a price cut package had yet to be approved. It also said the monthly subscription discounts announced by SingTel had been approved only until March 31 2000, and directed SingTel to make that clear in its advertisements. Shells McNulty, Kuala Lumpur

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ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE OR AS TO THE CONSEQUENCES FOR THEM OF ANY PARTICULAR

THIS OFFER NOTICE SHALL NOT CONSTITUTE AN OFFER TO SELL OR OFFER FOR SALE OF ANY SECURITIES AS SUCH TERMS ARE DEFINED IN SECTION 2 OF THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), NOR SHALL THIS OFFER NOTICE CONSTITUTE A PROSPECTUS AS SUCH TERMS ARE USED IN SECTIONS 2, 5 AND 10 OF THE SECURITIES ACT.

> Offer by UBS AG, acting through its division Warburg Dillon Read

on behalf of Textron Golf and Turf plc (Incorporated with limited Bability in England and Wales with registered number 3488585)

to purchase for cash any and all of the outstanding £43,868,085 6.684 per cent. Guaranteed Bonds Due 2008 issued by Textron Golf and Turf plc and guaranteed by

Textron inc. (Incorporated under the laws of the State of Delaware)

COMMON CODE: 8402558 CUSIP: 88320YAA7 ISIN: XS0084025583

UBS AG, acting through its division Warburg Dillon Read ("Warburg Dillon Read") is offering on behalf of Tearon Golf and Turf pic (the "Company") to purchase for cash any and all of the Company's outstanding £43,868,085 8.684 per card.

Guaranteed Bonds due 2008 (the "Bonds") at a price per Bond (the "Purchase Price") to be determined by Warburg Dillon

Read as described below, upon the terms and subject to the conditions set forth in this Offer Notice (the "Offer"). Bonds to be purchased pursuant to the Offer will be required to be delivered to on to the order of Warburg Dillon Read through the facilities of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Eurodear System ("Eurodear"), Cedelbank or The Depository Trust Company ("DTC") on or before the Settlement Date (as defined below). Payment of the Purchase Price in respect of Bonds delivered through the facilities of Eurodear or Cedelbank will be made on the Settlement Date through Eurodear or Cedelbank on a delivery versus payment basis. Bonds delivered through the facilities of DTC will be required to be delivered on a free of payment basis, and payment of the Purchase Price in respect thereof will be made, subject to such delivery, on the Settlement Date by transfer to a sterling account with a bank in London specified by the relevant Bondholder, or in such other manner as may be agreed between Warburg Dillon Read and the

To accept the Offer, Bondholders should contact Warburg Diflon Read as specified below by not later than 4.00 p.m. London time) on any business day during the Offer Period. "Offer Period" means the period commencing on 1 February 1999 and ending on 12 February 1999 or on such later date as the Company may determine in its sole discretion, which shall be given to Bondholders by publication in the Financial Times and the Lozemburger Wort and through Eurodear, Cedelbank and DTC. Acceptances of the Offer shall be irrevocable and may not be withdrawn. rmine in its sole discretion, notice of

The Purchase Price per Bond will be an amount in sterling equal to the sum of (i) that price, expressed as a percentag (rounded to three decimal places, 0.0005 being rounded upwards) of the principal amount of such Bond, at which the Gross Redemption Yield (as defined below) on the Bonds is equal to the Gross Redemption Yield, plus the Margin (as defined below), at or about the time the relevant Bondholder and Warburg Dillon Read agree to the sale and purchase of Bonds (the "Determination Time") of the Benchmark Gilt on the basis of the middle market price of the Benchmark Gilt as determined by Warburg Dillon Read at or about the Determination Time, and (ii) an amount equal to the interest that would have accrued on the principal amount of the relevant Bond, from, and including, 30 January 1999 to, but excluding, the relevant Settlement Date. Warburg Dillon Read's determination of the Purchase Price shall be final and binding.

As used in this Offer Notice, "Benchmark Gilt" means the 9 per cent. Treasury Stock 2008 or, if such stock is no longer in

issue at such time, such other UK Government stock as Warburg Dillion Read may determine to be the most appropriate benchmark UK Government stock for the Bonds, "Gross Redemption Yield" means a yield calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the fristitute of Actuanes, Vol. 105, part 1, 1978, page 18 or on such other basis as Warburg Dillon Read may deter "Margin" means 1 per cent., "Settlement Date" means in respect of any Bonds to be purchased pursuant to the Offier, the third business day following the day on which agreement for the purchase of such Bonds is made between the relevant Bondholder and Warburg Dillon Read, and "business day" means a day (other than a Saturday or Sunday) on which barris

are open generally for business in London.

If Bonds remain outstanding after the Office, the Company may, subject to applicable law, acquire Bonds, through privately negotiated transactions, open market purchases or otherwise at any time or from time to time, upon such terms and conditions as it may determine.

All Bonds purchased by Warburg Dillon Read on behalf of the Company pursuant to the Offer will be cancelled and may

not be re-issued or resold.

None of the Company, Textron Inc., their respective directors, Warburg Dillon Read, The Law Debenture Trust
Comporation p.L.c. as Trustee in relation to the Bonds or Morgan Guaranty Trust Company of New York, Brussels office, as
Book-Brity Depositary makes any recommendation in respect of the Offer. Bondholders must make their own decision with
regard to selling Bonds pursuant to the Offer and should consult their own professional advisers.

The Offer shall be governed by, and construed in accordance with, English law, in connection with the Offer, Warburg
Dillon Read is acting solely as agent of the Company, Warburg Dillon Read will have no agency, folluctory or trust
relationship with any Bondholders. Warburg Dillon Read will never certain commissions in respect of the Offer and it
another its affiliates and accordance may be not be before of Bonde Arm Bonde hald by Warburg Dillon Read will be end to the

and/or its affiliates and associates may have a holding of Bonds. Any Bonds held by Warburg Dillon Read will be sold to the Company pursuant to the Offer Warburg Dillon Read and/or its affiliates and associates may have provided within the previous 12 months significant advice or investment services in relation to the Bonds or a related investment.

UBS AG, acting through its division Warburg Dillon dead 1 Finsbury Avenue London EC2M 2PG

Attention: Nick Tudball Telephone No: +44 171 567 4453

Textron Golf and Tust pic

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CORPORATION P.L.C. AS INCLUDE: IN RELATION TO THE BUMBLO ON NUMBER GUARANTET TRUST COMPARED OF NEW YORK, BRUSSELS OFFICE, AS BOOK-ENTRY DEPOSITARY.

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OptiMark trading system goes live However. OptiMark's launch, originally planned OptiMark, a revolutionary

OSAKA GAS CO., LTD. NOTICE to the holders of the

£150,000,000

8.125 per cent. Bonds due 2003

OSAKA GAS CO., LTD.

Notice is hereby given that The Daiwa Bank, Limited, London

2QS will resign from its role of Fiscal Agent, Principal Paying Assent, Replacement Agent and agent to receive service of process

From 5th March, 1999 The Sumitomo Bank, Limited 2t its office at Temple Court, 11 Queen Victoria Street, London EC4N 4TA

will be appointed to the roles of Fiscal Agent, Principal Paying Agent, Replacement Agent and agent to receive service of process

mortgage customers.

on to the above Issue from 5th March, 1999.

Important news for

The rate of interest for new and existing mortgage customers (in appropriate cases the basic rate) will

decrease by 0.25% with effect from 1st February 1999. This decrease will be taken into account when calculating

new monthly payments at the next review in April 2000.

n relation to the above issue.

Interest Rate Change

Dated: 1st February, 1999

anch at its office at Fifth Floor, 4 Broadgate, London EC2M

electronic share-trading system, has finally gone live, trading its first batch of shares in 3M, one of the US's bellwether industrial stocks.

"We have been working towards this day for four years. We have designed an incredibly robust and techni-OptiMark.

Described as the biggest innovation in securities markets since the introduction of the ticker tape, OptiMark automatically matches buyers and sellers via a patented computerised algorithm, in trading cycles performed every two to 10 minutes.

The company believes by guaranteeing investors' ancnymity and reducing their trading costs, it will tap a vast pool of hidden trading demand. Currently, US stock markets trade between 1.3bn to 1.5bn shares a day. Mr Lupien thinks that could rise to as much as 3bn-5bn.

for October, had been delayed by resistance from several US stock markets that fear a loss of business. A compromise with the Intermarket Trading System.

cally highly complex system. are ready and certified to trade via OptiMark. Of the founder and chairman of 34 brokers and dealers. Opti-Mark has trained more than 2,500 traders on its system. Having started with just a single stock, OptiMark is

> then keep adding with a target of 100 by February 11.
>
> Eventually, it plans to trade all 2,600 listed US equities, as well as options, futures and potentially European shares. Set up under the wing of California's Pacific Stock Exchange, the company has a co-operation

> > The Daiwa Bank, Limited Fifth Floor, 4 Broadgate London EC2M 2QS

which groups together all US exchanges, was finally reached last week. So far, 114 securities firms work," said Bill Lupien, co- 80 are money managers and | the US but has subsidiaries

> planning to add four more Eastman Kodak, Black & Decker, Campbell Soup and AlliedSignal - this week and

will start in the autumn.

We are pleased to announce the following appointments

> **DALLAS** Joe Colonnetta

LONDON Lyndon Lea Principal



HICKS, MUSE, TATE & FURST

January 1999

Dallas New York Mexico City Buenos Aires London

صكنا من الاحل

AME

Principal

Philippe von Stauffenberg **Principal**



Kellogg ends difficult ye

are pleased to announce following appointments

Lyndon Lei

Global expertise in investment banking

In Latin America, commitment counts.

World-class, blue-chip companies maintain their commitment to Latin America. In the last few weeks alone, global names like Sprint, AXA and ING made a clear demonstration of their commitment to the region. Thanks to our own enduring involvement in these countries, we were there to help complete the transactions.

Our long experience has helped us advise companies, institutions and governments in Latin America on major transactions for more than three decades. It is a commitment to the region that

matches that of our clients.

Grupo Financiero Bital

Adviser on joint venture with ING Group in the Mexican insurance and annuities sectors - Dec 1998

Ministry of Communications & Transport, Mexico International financial adviser to the Ministry of Communications & Transport on sale of 15% equity interest in Grupo Aeroportuario del Sureste to a consortium comprising Copenhagen Airports A/S, Cintra Concesiones de Infrastructura de Transporte SA, Groupe GTM SA & Triturados Basáticos y Derivados SA de CV - Dec 1998

Banco Crédito Inversiones Empresas Juan Yarur

Adviser on joint venture in the Chilean insurance sector with AXA - Dec 1998

Sprint Corporation

Adviser on award to Sprint and its partners of the 2nd carriers' license to operate a national domestic and international long distance network in Brazil - Jan 1999



An investment bank of global intelligence

The failure of Gitic has made foreign banks wary of dealing with other trust and investment companies in China

On the evening of October 6, the top management of one of China's better-known trust and investment companies gathered in a mountain retreat to discuss plans for opment of the company in

the year ahead "Our spirits were high." says Peter Wu, chief of the Guangdong provincial govgeneral office at Fujian International Trust and Investment Corporation other Itics on the under-

had swirled around China borrowers. for more than a year, but the investment company owned by the provincial governits payments to foreign creditors on time and international banks were queueing to help finance further

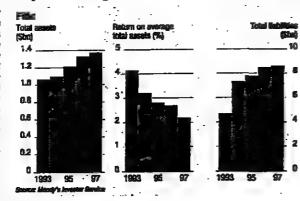
Then, a telephone call from a colleague in the neighbouring Guangdong province ruined the mood. The local television station was reporting that the government had shut down Guangdong International Trust and Investment Corporation (Gitic), the biggest of the provincial trust and investment companies

"Immediately, we knew this would have a huge impact on us." Mr Wu recalls. The theme of the Fitic chairman's keynote speech the next morning was changed to restructur the expansion and the devel- in 1999. The Fujian management assumed, rightly, that the closure of Gitic, the investment agency of the eign bankers who had lent to standing that the local gov-The Asian financial storm ernment stood behind the

Foreign lenders have been vocal in their distress after Gitic's collapse, suggesting that the Chinese government not approve the deal. has betrayed its pledges to repay foreign creditors. But the Fitic case illustrates how China's international borrowers have found the Gitic failure equally, if not more,

The strains on the Fujian company raise the question of whether Beiling's decision to shut down Gitic - and the handling of the closure may have created as many problems as it solved. Industrial Bank of Japan, which was due to sign an oredit.

agreement opening an \$8m credit line to the company a ers] were very polite. But,



Fitic that, for the time being. head office in Tokyo could

In the weeks and months that followed, Fitic's guilt by association with Gitic meant other banks from Japan. France, Belgium and Germany called up with the

Xin Shimin, Fitic's vice chairman, says the company that had been expecting to sign or renew a cumulative \$100m worth of agreements soon found that not one foreign bank would extend

few days later, informed they thought that if [the Chinese government] can close the big brother. Gitic, then certainly be closed down," Mr Xin says.

"They did not understand that the closure of Gitic does Hong Kong, Singapore, not represent the situation of all trust companies in China." However, the perception of

after being downgraded by the credit ratings agencies. Moody's issued a report last month offering another grim opinion of the company's outlook: "The illiquidity of its balance sheet and "They [the foreign bank- heavy reliance on foreign bank borrowings are its

Fitic worsened, particularly

Fitic's businesses, which stretch from steel to eels and include shipping chemicals, banking, hotels, stockbroking cement, an airline and foreign debts. other investments, are Fitic has taken steps to extremely diverse. The commeet the problems that have nany's assets are more heavily weighted to statearisen out of the Gitic closure, selling stakes in Xiawned industries than any

of the other Itics. But this was before Gitic's appeared to change the rules for provincial statebacked financial institutions. Moody's concluded: "The strength and timeliness of provincial support is now ess certain."

Pitic says Moody's criticism is unfair, and foreign hankers' concerns, although understandable.

First, Fitic produced a letter from the Fujian govern-ment pledging its continued support for the company. Not only the provincial governor, but prime minister Zhu Rongji have signalled their approval of Fitic's operations, Mr Xin says.

Many of our invested enterprises have become the hackbone of the economy of Fujian," he added.

Second, he says Fitic people are deed." should not be compared to

ing for a Central Bank study

advocating the dollarisation

of the economy, after a

period of negotiation with

the US, drew mixed reviews

from analysts. For Mr

Ecclestone, dollarisation

cannot happen soon enough,

to help distinguish Argen

tina further from monetary

But Salomon Smith Bar-

ney in New York sounded a

"was poorly timed since

implementation is a

long-term prospect, yet the

debate opened by such a

prospect could have

short-term damaging conse

quences for the credibility of

board system that pegs the

Analysts admit that the

short-term positives for the

market are in short supply.

Low oil and commodity

prices continue to be a drag

on the economy. Earnings

figures were already looking

disappointing even before

may struggle to roll over

debt in the tight credit envi-

However, Mr Guevara

remained upbeat: "Argen-

tina's situation and financial

indicators are extremely

solid, and eventually that

be perceived by

some Argentine com

peso to the dollar?".

note of caution. The propose

turmoil in Brazil

Johannesburg in electronic Achilles' heel." There are Gitic. He says that unlike other substantial concerns. the latter, Fitic has made no huge real estate invest trading move ments, it has no outstanding loan guarantees and it has been gradually reducing, rather than expanding, its

The Johannesburg Stock Exchange is to undertake a complete overhaul of its settlement system and begin switching to paperless trading later this year to end a chronic backlog of unsettled trades and improve its repuefficiency.

ting other assets up for auc-The R70m (\$11.6m) investent in moving to electronic There have been problems in the past, such as foreign trading and settlement comes as the JSE is reeling exchange losses, an unrecov erable investment in a res from the defection of some of its biggest companies, which have moved their primary aurant in London's Chinatown as well as loans to listings to the London Stock state enterprises that have performed worse than expected. But, Mr Xin says, the

JSE officials afressed the two were not related and that the exchange, which aspires to being a hub for stock market listings by companies throughout southern Africa, needed to make its settlement system more competitive and transparent compared with other to ensure the deal is closed, emerging market bourses.

Monica Singer, JSE general manager, said: "Our settiement system has degenerated very badly, to the point where an average of 45 per cent of trades fail to settle on time. The cost of settlement is often higher than the commission earned on the transaction."

Trading volumes on the JSE nearly doubled in 1998 to R408bn, but it has consistently ranked among the worst emerging markets for no more settlement probiems." Ms Singer said The investment will see

the switch from paper to electronic trading, or dematerialisation, from the middle of this year, with electronic settlement beginning on July 30. The new system is known as Strate - "share transactions totally elec-

Ms Singer, in London to introduce Strate to investment banks and stockbrokers, said illiquid securities All listed instruments on the JSE would have made the change by July next year.

The exchange is also to move to T+5 settlement - a five working days after the transaction takes place and eventually to T+3. If a trade is not settled on

time, the JSR will intervene charging the broker for the cost and levying fines where appropriate. Trades will also be settled individually.

The JSE has appointed eight central securities depository participants -ABSA. PNB, Nedcor, Standard Bank, Crédit Agricole, Société Générale, Mercantile Bank and Citibank - to act as clearing houses for securitionships will be with investors rather than with

wind to Dr 1305

getone

EMERGING MARKETS MANY ANALYSTS HAVE REDUCED 1999 GROWTH FORECASTS TO ZERO

Argentina feels the heat from Brazil

By Ken Warn in Busnos Aires

The inhabitants of Buenos Aires like to escape to the beach at this time of year in a mass migration away from the stifling city heat. This year, near tropical storms have added to the plight of those left behind, with the sheer pressure of rainwater blowing drain covers into the air, while some streets become suitable for whitewater rafting.

For workers in the grid of narrow streets that make up the financial district - el City - the Brazilian devaluation crisis has added to their discomfort level.

No one doubts that the Real will have a severe impact on Argentina's econslowing sharply through the second half of last year. Many private sector analysts have reduced their 1999 tively quickly.

However, the stock market has so far taken the battering of bad news better than some had feared. For many investors, the main question was not if, but when the Brazilian currency peg would

"It's clearly going to be tough," said Roberto Guevara, senior country analyst manage in the new environment."

Trading last week was cautious and in thin vol- Brazil. Argentine growth forecasts umes, with the market takto zero. Further cuts are ing its cue from Wall Street gloom. Last week the govlikely if the Brazilian situa- and São Paulo. The Merval ernment successfully tion does not stabilise rela- leading share index closed launched its initial public on Friday up 1.17 per cent at 371.9 points. The index ended last year at just over 430

> Companies with the greatest exposure to Brazil, such the car and steelmakers, have been among the worst performers. Argentine industry is clamouring for protection against what it fears in the sale, which also

will be a wave of cheep

imports from Brazil There are also worries Brazilian devaluation of the at Merrill Lynch. "But about exports. Although people are not panicking. Argentina's economy is still They are assessing how relatively closed, with omy, which was already Argentina is going to exports accounting for only about 8 per cent of gross domestic product, about a third of those exports go to

But it has not been all

offering of Banco Hipotecario Nacional, the national mortgage bank. The government sold 25 per cent of the bank, and options for a further slice of shares, for about \$280m. Argentina's private ing up to snap up the stock

attracted US and European ident Carlos Menem's backinstitutional lovestors.

Getting the much delayed offering away in the current nervous market was widely reckoned a triumph, even though the government had to cut the floor price from \$8 to \$7 a share on the eve of

Some investors took a fresh look at the Latin American fixed income market last week, in the search for bargains. Argentina was among the beneficiaries and its Par bond perked up 2.6 per cent on Thursday. in another positive development, Spanish oil major

Repsol, which has just

bought a 14.99 per cent stake

in YPF, announced that the privatised energy concern would continue to be listed on the Buenos Aires The loss of YPP, the country's biggest company and most liquid stock, would be

local bourse. Repsol has made no secret. of its desire to win control of the Brazilian crisis, and YPF, but how, when, a what price is unclear.

a significant blow to the

"The fate of YPF remains a big unknown and the incertainty could become a drag on the market," said Christopher Ecclestone, head of research at local investment bank Buenos Aires

On the policy front, Pres-

Problems found at Gitic arms

men Airlines and Xiamen International Bank to its

Hong Kong-listed subsidiary

It has also sold a stake in a

"After the closure of Gitic.

we were badly hit in terms

of short-term loans. The

banks were in doubt, think-

Xin maintains it will not: "If

one person is dead, you

local cement factory, it plans to transfer hotels and is put-

Min Xin Holdings.

China's state media reported over the weekend that auditors had discovered suspected criminal activity by officials at two Hong Konghased subsidiaries of Guange dong International Trust and Investment Corporation (Gitic), which filed for bankruptcy last month.

"Clues to law-breaking criminal activities by 'very few' people have been discovered after auditing the assets and liabilities of former Gitic Hong Kong (Holdings) and Guangxin Enterprises," the China Business

convertibility (the currency The newspaper said a spe-cial investigation report has been handed to the government of China's southern Guangdong province, which owned Gitic.

The two Hong Kong sub-sidiaries were placed under voluntary liquidation last October after Gitic was shut by China's central bank e of its in: repay foreign debt. Auditors have looked into

the accounts of 26 trust and investment companies in Guangdong province and found problems ranging from high levels of overdue debt, weak repayment ability and other irregularities, the

Sega finalises Dreamcast plans talise through a Y50bn

Sega, the Japanese video games group, hopes to sell nearly 7m of its powerful new Dreamcast games systems worldwide by April next year, according to Shoichiro Irimajiri, president.

Orchestrating a successful launch for Dreamcast, the first 128-bit games machine, is essential for Sega, which reported its first loss last year after its expensively developed Saturn games system was trounced by Sony's PlayStation and Nintendo 64.

Dreamcast, which comwith an internet connection, was introduced in Japan before Christman

Having sold its first run of 500,000 players, Sega expects to sell a further 500,000 in Japan, and 5m software titles, by the end of March.

nced plans to recapt-

(\$430m) convertible bond issue, is finalising plans to launch Dreamcast in the US and Europe this September. Mr Irimajiri said early sales in those regions, coupled with strong growth in Japan, should push sales of Dreamcast players to 6.8m

by the end of March 2000. Only five software titles. including Virtual Fighter and Sonic Adventure, were available when Dreamcast went on sale in Japan. It has not yet decided on a

software strategy for the US and Europe, nor on pricing. bines speedy, realistic The Dreamcast player retails Nor has Sega determined whether Dreamcast will have the same level of internet capability in those regions as in Japan.

Its Japanese research sugtion as an internet connector is an important selling point

Provisional figures for 1998 Consolidated net earnings FF 715 M (€ 109 M), up 48 % The TF1 Board of Directors met on Wednesday 27 January 1999, ip of Patrick Le Lay. 1998 preliminary figures are as

TF1 GROUP CONSOLIDATED	19	97	19 estila	98 rated	% change 98 vs 97		
CONSOLIDATED	(FF M)	(€ M)	(FF M)	(€ #1)			
Turnover*	10,169	1,550.3	10,704	1,631.8	+ 5.3 %		
ind. TF1 Advertising	7,688	1,1720	8,046	1,226.6	+ 4.7%		
Diversification and others	2,481	378.2	2,658	405.2	+7.1%		
Net profit (atributable to the group)	482	73.5	715	109.0	+ 48.3 %		
				 -			

"Revenue ligures are those published in the BALO (" Belletia das Assences Légales et Officielles ")

posted a 4.7% growth on the back of a recovery in TV advertising spending together with increasing TF1's audience ratings on main demographic groups. In 1998, TF1 scored 95 out of the top 100 audience ratings, versus 92 in 1997.

The main diversification businesses furthered their deve-

- The publishing and distribution branch grew thanks to buoyant video and home shopping activities. - Thematic channels (Eurosport,

LCI, Odyssée) increased revenues as cable and satellite penetration expanded.

Net advertising revenues TPS ended the year with 615,000 DTH ("Direct To Home") subscribers, a 76% increase, and 75,000 subscribers to its movie option available on cable networks. TPS's market share of new

pay-TV digital subscribers

overaged 45%.

TF1's programming costs remained stable excluding the impact of the Football World Cup and the Nagano Winter Olympics.

The negative impact of losses incurred by companies consolidated under the equity method decreased as TPS and TCM lowered their

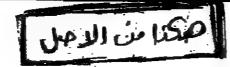
TF1's 1998 audited occounts Board of Directors meeting, scheduled for March 17, 1999.

> Financing and Investors. phone (33) 1 41 41 27 32

Preliminary consolidated net earnings (attributable to the Group) reached FF 715 million (€ 109 million), up 48.3%.

Depuriment : (33) 1 41 41 36 98 internet : http://www.cfile Emai : conf@fi.fr

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FINANCIAL TIMES MONDAY FEBRUARY 1 1999-

COMPANIES & FINANCE

Saudi prince takes lead role in PFE saga

Although now seen as a serious contender, success for his bid for the Seagram unit is far from assured, writes Alice Rawsthorn

Abdul Aziz, one of the less well known members of the Saudi royal family. expressed interest in buying PolyGram Filmed Entertainment (PFE) last summer, noone believed him - least of all Seagram, the Canadian entertainment company that was selling it.

Seagram suddenly took the prince seriously when, last week, he placed \$50m in an escrow account as a deposit on the deal.

Edgar Bronfman Jr. Seagram president, is now pressing the prince to prove that he is willing, and able, to pay up to \$450m for PFE's remaining production and distribution assets.

Anxious to reduce the bid for the entire PolyGram group, Mr Bronfman is offer if the prince produces one. Yet Prince Muhammad not only needs to finalise the financing of his bid, but to find yet more money to revitalise PFE, which once probut has been racked by uncertainty for nine months while Seagram has tried to

At first glance, there is Muhammad from the motley assortment of glamourcrazed investors who have toyed with Hollywood over the years: from billionaire womaniser, Howard Hughes; to media magnate, William Randolph Hearst, whose main motivation was fostering the acting career of his mistress, Marion Davies.

Until his \$50m landed in escrow last week, the prince had no known business dealings in Hollywood. He has now proved he has considerable capital at his disposal debts amassed in his \$11bn and convinced Seagram that he stands a reasonable chance of assembling a conexpected to accept a firm sortium of Arab investors to back his bid.

The prince has also persuaded Fred Bernstein and Dan Melnick, two respected Hollywood executives, to run PFE, if he wins control,

hen Prince Muham- Weddings and a Funeral, film industry magazine, mad Bin Bandur Fargo, Elizabeth and Bean, claims that Gilbert Federbush, a convicted felon, is also linked to his bid.

> Finally, Prince Muhamture for PFE. He plans to little to distinguish Prince acquire all its remaining assets except Interscope, a US production company, its share of the Sundance independent film TV channel. and its US hig budget film distribution network.

PFE's non-US distribution network will be retained, as will Gramercy to distribute smaller pictures, such as Lock, Stock & Two Smoking Barrels, in the US. The prince will cede US

distribution rights for costlier PFE productions - notably Notting Hill, the hotly anticipated Four Weddings follow-up - to Seagram's Universal Pictures.

unning PFE could prove costlier and more com-plex than buying it. One problem is that Seagram has already sold its film libraries, which provided steady cashflow to balance duced such hits as Four although. Variety, the US its volatile production



and distribution interests. The prince must also secure substantial working capital to persuade PFE's senior executives to stay.

As the biggest Europeanowned film group, PFE gave its non-US staff an unusual level of autonomy for the US-dominated film industry, and they may not wish to remain if that changes.

Similarly, Prince Muhammad may find it hard to hold on to star producers, notably Tim Bevan and Eric Fellner, responsible for Four Weddings. Bean and Elizabeth Their personal contracts with PFE's Working Title subsidiary expire shortly, and they are botly courted by established Hollywood studios, including Universal,

Having cleared the first hurdle by forcing Seagram to take him seriously, Prince Muhammad may yet clear the second by raising the cash to buy PFE's corporate assets, but winning the con-

LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

> IN THE MATTER OF

NOTICE IS HEREBY GIVEN that

the Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London,

ANY creditor or shareholder of the Company desiring to oppose the making of an order for the confirmation of the concellation of the share premium account should appear at the time of the hearing in person or by counsel for that purpose. A copy of the Petition will be famished to any person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

Naberro Nethanson 50 Stration Street London WIX 6NX Tel: 0171 493 9933 Solicitors to the Pethk Raf: BH/RFB/RZV/R 1) 40/57

DATED 29th January 1999

The United Mexican States Floating Rate **Privatization Notes Due 2001**

The applicable rate of interest for the period February 1, 1999, through and including May 2, 1499, to be paid on May 3, 1999, a period of 91 days, is 5.78219%. This rate is 13 16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Sentement Rate (4 9696%) as quoted on the Dow Jones Televate Montrod's as Telerate Screen No. 3750 as at 11:00 A.M. (London Time) on January 28, 1999.

The above rate equates to an interest payment of USD 14 616092 per USD 1,000,00 in principal amount of Notes.



BANCO NACIONAL DE MEXICO, S.A. **NEW YORK AGENCY**

Sun Hung Kai Properties Finance International Limited

H.K. \$650,000,000 Guaranteed Floating Rate Notes due 200

Sun Hung Kai Properties Limited

in accordance with the terms and conditions of the Notes, the rate of rest applicable for the interest period 29th January, 1999 to 30th July, 1999 is 8.13 per cent, per aunum. Interest payable on 30th July, 1999 per Note of H.K. \$50,000 will be

H.K. \$2,026.93.

Bankers Trust Company, Hong Kong

National Bank of Greece Weak prices profits jump to Dr130bn

By Kerin Hope in Athern

National Bank of Greece, the country's biggest bank, announced a 103 per cent increase in pre-tax 1998 profits to Dr130bn (\$460m) after completing a merger with its housing subsidiary, National Mortgage Bank. Shareholders approved on

Friday a four-for-one stock split, designed to improve liquidity and encourage more small Greak savers to NBG's share price on the

Athens stock exchange closed at Dr78,000 on Friday, more than twice the price of Commercial Bank, the second-biggest Greek finan-

trading today.

By Tom Burns in Madrid

Azkar, Spain's leading

transport and logistics

group, yesterday said it had

been swamped by non-

Spanish institutional

an initial public offering

worth Pta24.6bn (€148m,

\$168m), the first euro

offering to be made on the

The family-owned group,

which is placing 42 per cent

of its stock on Madrid's

Bolsa, had targeted its IPO

to international institutions

and brought Merrill Lynch

BIDDER/INVESTOR

GE Capital (US)

Ford Motor (US

Microsoft (US)

Microsoft (US)

Schawk (US)

Blue Circle (UK)

Euromoney (UK)

Chryselis (URC)

Dura Automotive (US)

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domestic equity market.

mand when it completed

sheet clean-up and disposals. York, after the arrival last of equity stakes in industrial

NBG made provisions of mercial criteria.

shares, with a nominal value . rations of Dr1,450 each, would start

Analysis said NBG's results showed the effects of a three-year restructuring, which included a balance-

loans, marking what analysts said would be the final year of additional provisions to cover past lending based on political rather than com-

profits increased 19 per cent to Dr241bn. The bank has upgraded its banking subsidaries in western Europe, the US and South Africa, which were set up to cater for expetriate Greek communities, and has expanded investment banking activity through NBG international a London-based subsidiary.

Were advanced" for NBG to be listed on the New York Stock Exchange in the middie of the year. The listing would be the second by a Greek company in New

Foreign demand for Azkar

co-lead the disposal.

indicated in the

of the US alongside the

domestic bank Argentaria to

The issue price was fixed

at Ptal.872 (€11.25), which

was at the top of the range

The international trancha.

International institutions

had originally been offered

33.9 per cent of the disposal

in September when Azkar

was forced to pull its market

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SECTOR

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Broadcasting

Publishing

Music publishno

Auto components \$6.600

Auto components \$206m

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Japan Leasing units

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Volvo Cars (Sweden

Fortune Cement (Pippines)

Internet Securities (US)

Global Music (Germany

which represented 47.6 per

cent of the total offer, was 18.8 times subscribed.

November of OTE, the public

Institutional investors Dr57.5bn for non-performing from outside Greece hold about 20 per cent of NBG's equity. Greek state and public sector organisations control another 38 per cent, with the remainder held by domestic institutions and Consolidated group pre-tax small investors.

NBG will launch a public offering of 2m to 3m shares ing. These will include shares from a convertible bond issue held by the Greek government that matures in June and shares belonging to NBG subsidiaries.

Although the offering will reduce the Greek public secabout 35 per cent, there are no plans for changes in corprime minister has traditionally taken responsibility for hiring and firing chief execu-

in the revised structure of

the IPO, the domestic insti-

tutional and the retail

tranches were scaled back in

order to allow more interna-

tional investors into Azkar's

Domestic institutions bid

9.8 times the amount they

were offered and the retail

tranche was 11.8 times sub-

The success of Azkar's IPO

likely to increase the

international weighting of

a swathe of medium cap

Spanish companies, which

are lining up for a Bolsa

COMMENT

New landmark

Rival expected

Consolidation

Consolidation

White knight

Raising stake

Auction when a

Global ambitions

scribed.

VALUE

\$6.9bn

\$156n

\$43m

hit MIM and North results

Weak commodity prices weighed on earnings at MIM Holdings and North, two of Australia's largest diversified resources companies, in the half year to December. However, both companies said they would continue cost-cutting programmes and

sales of non-core assets to boost competitiveness, highlighting a growing trend in the Australian resources sector to respond to tougher market conditions. MIM on Friday reported an interim net loss of A\$3.1m

from the A\$35.4m net profit reported a year earlier, but forecast that capital expenditure cuts and reductions in production costs would help schieve a full-vear profit.

The group produces coal and base metals including copper, zinc and lead, and has interests in Australia, Europe and South America.

MIM's headline profft was helped by a net abnormal gain of A\$37.1m from its sale of a 25 per cent stake in Norddeutsche copper-gold refinery in Germany. The group would continue to hold a 10 per cent interest in the German facility for the time being, but had signalled its intention to eventually exit Norddeutsche, said Nick

Stump, chief executive.

Production shutdowns at arious facilities contributed to MIM's weak first-half performance, but had assisted in the expansion of key business units. The main influence on earnings was "lower commodity prices, the lower US dollar-Australian dollar exchange rate and clearly, the copper price, which was down 24 per cent half-year on half-year," he said.

Commodities prices In other areas of production fell across the board, he noted. In addition to copper, he singled out declines of 17 per cent in zinc prices and 14 per cent in lead as contributing

Copper's contribution to MIM's results was mixed, with Alumbrera, the 50 per cent-owned copper-gold mine in Argentina, exceeding production expectations after a slow start in late 1997.

formance included a reduction in cash production costs to US\$0.30 a pound, while production costs for copper cathode at the Mt Isa mine in Queensland had fallen to US\$0.50 a pound from US\$0.60, Mr Stump said. Combined earnings of zinc

lead and silver also weighed on earnings, delivering a A\$8m loss compared with a A\$43.8m gain a year earlier. Avonmouth smelter in the UK contributed to the loss. in other operations, however, capital expenditure had

said. Upgrading of coal facilities had helped offset "significantly lower" prices for both steaming and coking coal by higher production. North, which owns 25 per cent of the Alumbrera cop-

per mine, fared better than

MIM, reporting a record interim net profit of A277m. up from A\$75m. Strong performances from the group's Robe River iron ore operations in Western Australia, its gold division and its Warman mining pump division helped earnings. The result, however,

fell short of analysts' expec

tations, and one warned that

North faced lower second

half profit on continuing low prices for uranium and base metals, and falling demand for iron ore. Malcolm Broomhead North's managing director, said the company would look to sell non-core assets and further cut costs, including a likely 20 per cent cut in

exploration budget to about

A\$10m, to prepare for a

"tough" second half. Like MIM's Mr Stump, Mr Broomhead cited falling prices for most of North's products. Iron ore in particular, would be affected by negotiations with Japane steel producers for annual contract prices. The negotiations, due to

end this week, are expected to result in substantial price reductions for iron ore. North had placed more emphasis on efficiency and improving returns, but this was not likely to affect the bottom line until the second half. Mr Broomhead warned

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Holders of Floating Rate Notes of the above Issue are hereby notified that for the interest period from 28th January, 1999 to 28th April, 1999 the following information will apply.

1. Rate of interest 5.9375% per annum

2. Interest Amount payable on Interest Payment Date: Per £5,000 nominal or

3. Interest Payment Date:

28th April, 1999 The Co-operative Bank plc

Bank of America International Limited

Per £50,000 nominal

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INDEPENDENT



MARKETS WEEK

February 1 - February 7



by Richard Waters

Tomorrow's gathering of Federal Reserve policymakers should be a non-event for the financial markets. The US economy accelerated to a 5.6 per cent growth rate in the final months of 1998, but the employment cost report last week showed inflation

remains a distant threat. The main economic news this week should confirm this picture. The National Association of Purchasing Managers' report for January, released today is likely to show a pick-up after three monthly declines. reflecting some recovery in the manufacturing sector. but at an expected level of only 47, the NAPM index would point to continued

weakness for manufacturers. The January employment report, due Friday, is expected to show a slowdown in hiring after December's surge, with hourly wages continuing to grow at an annualised pace of around 3.8 per cent.

22 25 26 27 28 29

With the continuing slide in the Brazilian Real, this points to further support for long-term bonds, keeping the yield close to 5 per cent. That may contribute to the more positive tone seen in the stock market last week. as the corporate earnings season drew to a close with few nasty surprises.

By Philip Congan

The Bank of England monetary policy committee neets this week for its monthly look at whether UK interest rates should be altered, with opinion split on whether it will cut rates

Stronger than expected fourth-quarter gross domestic product growth and a pick-up in sentiment in the latest Confederation of British Industry survey might persuade the memi to wait for more data. But 21. of 28 economists polled by Reuters think that a cut will be announced on Thursday. with most expecting a quarter-point drop.

Waverers on the committee will be able to assess a few economic pointers before deciding. The first statistics of the month will be the purchasing managers' index and the provisional M0 (narrow money supply) numbers for January today. The former will be

scrutinised to see if it

confirms the impression of

cheark vield cave

FTSE All-Share index

the CBI findings; the latter, along with the CBI distributive trade survey on Wednesday, will point to consumer sentiment. Company results are still thin on the ground but chemicals giant ICI, which

had its problems in 1998,

announces figures on

FRANKFURT

After a week of seemingly random up and down novements, the German tock market should perform better in the days also The continuing decline of Brazil's Reel and fears about a devaluation in China

dominated the past week.
But by Friday investors stopped worrying as much sent a positive signal for the coming week. Starting the week at 5,180 points, the weighted 30-stock Dex Index could test the 5,500 mark in the next few days, according to optimistic observers. The preconditions are good: the euro has weak

against the dollar, Dentsch Bank has announced a surprisingly good dividend for 1998 and last week's nuclear energy agreement boosted German utility shares. Also, Ford's purchase of Volvo's car division has inspired market telk about possible mergers, takeovers or joint ventures The supervisory board of

TOKYO charack yield curve

--- Z2F1/98

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Preussag, the mixed industrial group, meets today and will hold an earnings press conferen

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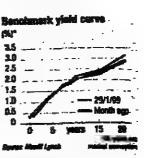
tomorrow. On Thursday the governing council of the European Central Bank will meet in Frankfurt. There is a small chance that the ECB could decide to lower

The market may be pushed down over the next few weeks as companies revise down earnings estimates and begin to unwind cross shareholdings before the March year end, according to Garry Evans, strategist at HSBC. He noted that the construction and banking sectors usually perform poorly in February and

Policy debates over the Liberal Democratic Party's monetisation plans are likely to have the most dramatic effect on the market in the next few weeks.

The market is being supported by rumours that the government will, by the end of the month, have a concrete plan to create equity purchasing vehicles to unwind cross shareholdings, 5273 Cameron Umetsu, se strategist at Warburg Dilion

However, the bond market may continue to feel essure from the



overnment's policies, including last week's announcement that the Bank of Japan would underwrite new government bond issues.

New vehicle sales and the wholesale price index figures will be released this week. Analysts expect this data to be negative.

LONDON RECENT ISSUES: EQUITIES

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STOCK INDICES

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Copyright, FTSE International Busin US Dollars, Base Valu	Limbul 1989. At d	E T Pen	el Pyse E	in tend	Milis Willer II	water of a	-

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Notice to holders of

Cadbury Schweppes plc

U.S. \$80,000,000

8 per cent. Convertible Bonds 2000

Caribury Schweppes pile hereby gives notice to the holders of Bonds that in accordance with Condition 5(B) of the Bonds it proposes to redeem the

Bonds presented at the offices of the Paying Agent at the address shown below on 22nd March, 1999 will be reduced at principal plus accread intenses from

Holders of Bonds who wish to tender their Bonds for convention, in accordance with Cuadition 4 of the Bonds, should render them to the Paying Agent for convention up to and including 15th March, 1999.

Principal Paying Agent Bankers Trux Company I Appoli Street, Broadgate London BCZA 2HE

Other Paying Agents Bankers Trust Company 4 Albury Street New York NY 10015

UBSAG

CH-8098 Zurich

Cadbury Schweppes pl

dements/OE62

ning Bonds on 22nd March, 1999.

Credit Agricole

39, Allée Scheffer

L-2520 Luxembourg

lst February, 1999

COMPANIES DIARY

The calm before the storm of results

This week marks a calm before the storm of results that start to flow rapidly later in the month. A point of interest is likely to be the results from housebuilder Crest Nicholson, where any ents on current trading and the outlook for the housing market will be keenly studied. News of disposals may come from ICI and BAA.

TODAY

 Third-quarter figures from BAA, the airports operator, will probably be distorted by a series of factors. The rebalancing of landing charges from the first half to to Q3 profits, while the 7 per cent growth in Q3 pessenge with the rise in profits at Stansted. The result should be a £10m rise in airport of the UK housing market. operating profits, despite a flat spend per passenger, according to Williams de Broë. However, Heathrow Express is still in the of a deep recession in the start-up phase and will have lost some £10m in Q3. Investor interest is expected to seen some builders enjoying Haven, increasing its generafocus on further disposals, a rerating, particularly as tion capacity to 36.5MW. while the likely abolition of duty-free sales is expected to duced no bad news. Analysts

TUESDAY

restrain growth.

keenly analysed by investors for indicators as to the state Housebuilding stocks have suffered low ratings in the past year as investors have valued them to take account housing However, recent days have results from Bryant pro-

expect Crest to produce some £27.8m pre-tax, up from

small businesses, is expected to produce interim pre-tax profits of £650,000; but this is forecast to rise to £5m by the year end, reflecting the impact of deregulation on the market. The company recently acquired a 50 per market. cent stake in a power generation business at Milford

THURSDAY

 Final figures from chemicals group ICI should con-• Independent Energy, the tain few surprises, as the line figure is likely to drop
• Results from housebuilder

Aim-traded distributor of company said earlier this some 43 per cent to £296m.

numbers should combine Crest Nicholson will be electricity to more than 2,500 month that pre-tax profit is expected to exceed 2315m and it would maintain the dividend at 32p. BT Alex Brown has told clients that it expects the results to show that the core speciality chemicals side is proving resilient in the face of tough markets. Investor attention is expected to focus on any news of disposals and details of cash management, with positive news expected on both fronts. The broker expects underlying pre-tax profits for the year to December to fall 17 per cent to £320m, although the head-

2365

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OSAKA GAS CO., LTD. NOTICE to the holders of the

Can.\$200,000,000

10.25 per cent. Notes due 1996

OSAKA GAS CO., LTD.

Notice is hereby given as follows:

I The Daiwa Bank, Limited, London Branch at its office at Fifth Floor, 4 Broadgate, London EC2M 2QS will resign from its role of Fiscal Agent in relation to the above issue effective 5th March, 1999. The Chase Manhattan Bank at its office at Trinity Tower, 9 Thomas More Street, London El 9YT will be appointed to the role of Fiscal Agent in relation to the above issue effective 5th March. 1999.

2 The Daiwa Bank, Limited, London Branch at its office at Fifth Floor, 4 Broadgate, London EC2M 2QS will resign from its role of agent for service of process in relation to the above issue effective 22nd February, 1999. Hackwood Secretaries Limited at its office at One Silk Street, London EC2Y 8HQ will be appointed to the role of agent for service of process in relation to the above issue effective 22nd February, 1999.

Dated: 1st February, 1999

The Daiws Bank, Limited Fifth Floor, 4 Broadgate London EC2M 2QS

THE OASIS FUND Noveré d'Investazement à Capital Vininble Faroporn Bonk & Rusmess Contre, 6, route de Trioss 1/2033 Senungriberg, Grand Ducht of Luxembourg R. C. Luxembourg No. B 52941

Notice of Annual General Meeting NOTH: E is hereby given to the Shareholders of THE CASES FUND ("the Comp that the Annual Ceneral Meeting will be held at the registered office of the Com-European Bank & Business Centre, 6, toute de Trêves, 1,2633 Semingreberg, C Dueltr of Luxembrurg, on Wednesday 17 February 1993 at 300 part, or at any at-ment thereof, for the purpose of deliberation and voting upon the following ag

Submission of the Report of the Board of Directors and of the Auditor,
 Approval of the Annual Report for the financial was ended 30 September 1998.
 Discharge of the Directors in respect of their dudies carried out for the financial was ended 30 September 1998.
 Election of the Directors and Auditor for a term of one year;
 Ant (Abbi Bosines)

A Shareholder coulded to arrend and vote at the Meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a Shareholder of the Company.

ons on the agentla of the Meeting will require no quorum and will be be the majorite of the Shareholders attending to person or by prost. In order to be entriled to attend the Meeting, holders of bearer shares must deposit their bearer share certificates five working days prior to the Meeting with the .. bank S.A. Laxembuorgrobe, 43, boulevard Royal, L-2966 Laxen

Shareholders who campot personally attend the Meeting are requested to use the pre-scribed form of prive (available at the registered office of the Company) and return it at least five working days prior to the date of the Annual General Meeting to the Compans, c'o Fleming Fund Massaprinent (Luxembourg) S.A., L2008 Luxembourg. By order of the Board of Directors

January 1999

FLEMING Asset Management

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT EUR 450,600,000 uting Rate Notes due 2003 In accordance with the provisions of the Notes, notice in bereby gives that the Rate of bayers for the three month puriod ending 30th April 1999 has been fixed at 2.45600% per minum. The instruct accuracy for such three mouth period with the EUR 31 AS per EUR 3,000 Reserve

Amethyst Funding Corporation I USD 200,000,000 Secured Americang Floating Figite Notes due 2003 For the Interest period 1º Fabrusiry 1898 to 1º Maint 1898, the Notice will certy a Rate of Interest of 5,23673% per annum. The coupon Amount per USD 3706,95.- payable on 1º March 1999. The Principal Repayaber of Anou-per original USD 1,000,000 Note 8 USD 18,839,87 on 1º Februsiry 1999. IBJ (Luxembourg) S.A. Agent Benk deted : 1 February 1999

Appointments Advertising

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For information on advertising in this section please call Chris libbiston on 0171 873 3351

Financial Times

T.C. Zirast Bankasi U.S. \$140,000,000 Rosting Rate Notes Date 2001 Hosting Bair Notes Due 2001
Notice is hereby given that the Interest Rate for the peded from 29th Jamus, 1999 to 30th July, 1999 is 10579. The Hosting Rove Note buterest Amount poyable on 30th July, 1999 is U.S. \$312.81 per U.S. \$10,000. In accordance with clause of (c) of the Terons and Conditions of the Notes, the Interest Rate applicable for those Noreholders who have elected to Redeem their Notes on 30th July, 1999 is 5,8125% and the Hosting Rate Note Interest Amount payable will be U.S. \$293.85 per U.S. \$10,000.

Bauker Trust NOUVO CAYMAN LIMITED
JPY 580 000 000 000
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SCRIES 198-7, TRI
NOUVO CAYMAN LIMITED
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RISK SECURED CREDIT
LINEED NOTES DUE
JULY 2001
SIN CODE : XS0009/04444
For the proof Lowery 20 1000 For the period January 29, 1999 to July 30, 1999 the new rate tas been fixed at 1,61641 % P.A. Next payment date:
July 30, 1999
Coupon nr: 2 Amount : JPY 4 085 925 for the minution of JPY 500 000 000 THE PRINCIPAL PAYING AGENT SOCIETY GENERALE BANK & TRUST SA. 11-13, AVENUE PRINTER LAMP LUXEMBOURG

NEW INTERNATIONAL BOND ISSUES American Company Total Company Statement of Statement Company US DOLLARS
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WEEK AHEAD

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MONDAY HURTARY TEEL,

DIVIDEND & INTEREST PAYMENTS

TODAY Abbey National 5.56% Und Sb Nts Y2780000.0 Abbey National Fdg 6.1% Dual Currency Gtd Nt5s 1999 Abbey National Treasury 6%% Gtd Nts 2000 \$62 50 Aberdeen Gas Anns 12.5p Acal 4.1p AEA Technology 3.5p Allied London Properties 10%

Cm Pt 5p Ameritech \$0.3175 EE.02 T & TA Bankers Tat Int Step-down Coupon Nts Jan 2001 £10.02 BBA 5% Cm Pf 1.75p Bell Atlantic \$0.385 BellSouth \$0.19 BLP Cv Pf 4p BP Amoco 6p CALA 4% Cm Pf 1.4p Campbell Soup \$0.255 Consolidated 4% Ln \$2.0 De Beers 8% Gross Cm 2nd Pt R0.04 Dudley 7% Ln 2019 £3.50 Dunedin Inc Grwth Inv Tst

31/2% Cm Pf £1.75 Fleming Mercantile tov Tat Govett Strategic Inv Tst 5% Granada Cv Pf 3.75p Great Universal Stores 6.2p Greene King 5.85p investment Co 2p Jenners Princes Street Edinburgh 10% Cm Pt 5p

Johnson Matthey 5.7p Land Sec 10% 1st Mtg Db 2030 £5.0 Law Debenture 3.85% Cm Pf 1,925p Leeds & Holbeck Bldg Scty

13%% Perm Int Brg 266.875 Lewis (John) 5% Cm 1st Pf 1.75p Do 7% Cm Pf 2.45p Lincoln National \$0.55 M & G Inc Inv Tst 1.2p Do Geared Units 1.2p Do Package Units 1.2p MY Hidga 2p Manchester 3% 1891 Rd £1.50

Merchants Tst 3.65% Cm Pf 1.825p Met Water Board New Rive 3% Db £1.50 Meyer Int 5p Monks Inv Tst 3.5p Moorepay 2.25p New York 7% Ser C Euronts. 1999 \$350.0 Do 71/4% Ser D Euronts 2000 \$368,75 Northumbr an 914% Bd 2002

EB25.0 Northumbrian Water 41/4% Rd Ob 2012 \$2.125 Do 12% Rd Db 2004 52.125 Orange 8% Nts 2008 \$41.56 Do 856% Nts 2008 £44,80208 Salvesen (C) 2.45p Scapa 2.05p Shell Trans 7% Cm 2nd Pf 2.45p Sumitomo Realty & Dev 3.9%

Nts 2000 Y390000.0 Tiger Oats 51/2% Gross Pf Tinsley (Eliza) 2.31p Tyco Int \$0.025 Whitemed 41/2% 2nd Cm Pf 1.575p

Do 814% Bd 2007 £82.50 Wilshaw D.Jp Witen Inv 2.7% Cm Pf 1.35p Workspace 5.5p Young & Co's Brewery 4.2% Cm Pf 2.1p Do 9% Cm Pf 4.5p ■ TOMORROW Abbey National Fdg 5.8% Dual Currency Gtd Nts 2000 Y2416.66 Cores Buitfontein P0.045 De Beers 40% Gross Pf R1.0 Edinburgh Worldwide INV Tst

Henderson Elec & Gen inv Tst Ivory & Sime Optimum inc Tst Lambert Fenchurch 1.45p Second St Devids Inv Tst 8p MEDNESDAY FEBRUARY 3 Advanced Power Components 0.8p Blacks Leisure 2o

Japan Dev Bank 91/4% Gtd Bd

F & C Smaller Co's 1.12p

Griqualand West R0.21

Harveys Furnishing 3p

Bogod 0.15p

Do A Rest/Vtg 0.3p

RM 1.8p Seiyu 3,8% Bd 1999 Wall Street Fin 35/1% Sb Cv Bd 2004 \$37.50 III THURSDAY FEBRUARY 4 BAA 6%% Bd 2028 £31.875 Care UK 1p Chelsea Bldg Scty Sb FRIN 2004 £4690.5B Farlake 4p Norbain 3.7p Richmond Foods 0.5p Syltone 2.25p Victrex 3.63p FRIDAY FEBRUARY 5 American Opportunity Tst 0.5p Boots 7.1p Eldridge Pope 4.1p Export-Import Bank of Japan 8% Gtd Bd 2007 £80.0 Govett High Inc Inv Tst 2.24p Landround 3.4p Latham (J) 3,5p MFI Furniture 0.7p Maiedie Invs 3.4p Metrotect Inds 0.4p New York Fitg Rate Euront

2005 291.25

Meconic 2p

1998-2002 \$114.28 Pennon 10%% Bd 2012 21062.50 Plysu 2.2p Racal Elec 2.1p Shaftesbury 1.65p SATURDAY FEBRUARY 6 Treasury 9% 2012 £4.50 SUNDAY FEBRUARY 7

UK COMPANIES

I TODAY COMPANY MEETINGS: Aukett Associates, 2, Great Eastern Wharf, Parkgate Road, S.W., 12.00 Dewhurst, Melbourne Works, inverness Road, Hourislow, Middx., 11.00 Network Technology, Thistle Hotel, Kings Road, Brighton, East Sussex, 12.00 Treatt, Bedford Lodge Hotel, Bury Road, Newmarket, Suffolk, 11.30 BOARD MEETINGS: Birohin Int Interims: Mild Wynd Int Whitterd of Chelse M TOMORROW COMPANY MEETINGS:

Ashbourne, Derbyshire, 10.00 BOARD MEETINGS: Chemex Int. 44. Worship ECSOFT Heavitree Brewery Street, E.C., 11.00 Company meetings are annual Electronic Data Processing. Tapton Masonic Hall, Shore ane, Sheffield, 12.00 otherwise stated. Please note: BOARD MEETINGS: Reports and accounts are not normally available until Finals: approximately six weeks after the board meeting to approve Crest Nicholso Internet Tech the preliminary results. This Skillsgroup list is not necessarily Interims: comprehensive since Eurodis Electron companies are no longer Curtmore British Inc & obliged to notify the Stock Growth

■ WED REB 8

Sheffield, 11.45

II THUR FEB 4

W.C., 11.00

Bristol, 12.30

Fitness First

Cammell Laird

R PRI FEB 5

Final:

Interimo

COMPANY MEETINGS:

COMPANY MEETINGS:

API, Savoy Hotel, Strand,

Denmans Electrical, Narrow

Quay House, Narrow Quay,

RCO, 20, Old Bailey, E.C.,

BOARD MEETINGS:

COMPANY MEETINGS:

Hotel, Derby Road,

Simma, Hanover international

Firth Rixson, Stakis Hotel.

Victoria Quays, Furnival Road,

Financial Times Surveys

Japanese **Financial Markets**

Tuesday April 27

For further information please contact:

or Patrick Brennan in Tokyo Tel: +81 3 3295 1711 Fax: +81 3 3295 1712 email: patrick.brennan@FT.com

Larry Kenney in London Tel: +44 171 873 4835 Fax: +44 171 873 3204 email: larry.kenney@FT.com

FINANCIAL TIMES No FT, no comment.

CONFERENCES, VENUES AND COURSES

MARCH 3 4

CONFERENCES

Expansión

Mr jané Marian Lasak General Director of RENFE (Spain)

Energy Market Forecast in Spain, Portugal, Latin **America and Philippines**

London 11 February 1999 Hyatt Carlton Towers Hotel

The Electrical Market in Spain and Portugal Afr Antonio Gomis motor Caneral of Energy (Spain) Mr Oscar Fazylai Ex Chairman – Repeal Mr Antonio Tuhón CEO, Hidrocantilbrico (Spain)

Mr Cruz Moreis Me de Partingal

The Gas Sector in Spain and Portugal . Air Astonio Braimi Chairman, Gas National

en, Unión fen Mr Lab Tällez the State of Labour. Secretary of Energy (Mexico)

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J Days Country Burchen Transies & Computing 1-6 Lumberd St. FC3V 9AA, London Tel-01*1 929 6633 Fax: 0171 929 6644 LONDON

Conferences. Venues & Courses

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2 Days Contact: Buckin Training & Consult 1-6 Lombard St. EX3V 9AA, Loadon Tel: 0171 929 6633 Fax: 0171 929 664 LONDON

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Contact: Birchm Training & Consulting I-6 Lombard St. EC3Y 9AA. London Tel. 017) 929 6633 Fax: 0171 929 6644 LONDON

APRIL 19 - JUNE 7 FT City Course The FS-City Course, which takes plan

over a weekly afternoon sessions, provides an excellent introduction to the the lateral source is a subject francial and Contact. Journal Edward-

FT Conferences Tel: (+14) 171 873 3374 Fas. (444) 171 873 3067 LONDON

FEBRUARY 10 - 12 1999 Advanced Financial Modelling with Excel

(Extra dates due to pap Aimed at those whose wat small a use of Excel to develop timescal models particularly those in MeA, acquisition francing and project images. Modelling techniques include a army arithmetic - bacar regroviers - optitistation - monte carlo vinelature - financial francestel inctined with right model - women for modelput - quechlamen of a logi-caso similation - imment transactif ediate know ledge of Excel Contact Zing Davies at 1534D for details fac. 44 (0) (625 523937

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February 16 DEMOS

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Rates in focus

Currency markets this week are at least starting to stabi are likely to focus on prospects for further monetary easing. The Bank of England begins a monthly two-day monetary policy committee meeting on Wednesday to members see the current decide on interest rates and expectations are growing that they will be cut.

A poll of economists by the Reuters news agency day, with no change expecsuggests the Bank will ted from the current level of reduce rates again from 6 3 per cent. per cent. Of the 28 economists questioned, 19 pre-dicted the Bank would lower come of its meeting on the repo rate by 25 basis points while two believed it likely to leave rates steady. would cut by 50 points. The Brazilian Real, which would cut by 50 points.

Confidence among business and consumers appears to have rebounded from autumn lows, but retail sales are weak.

The manufacturing sector, which is still struggling with a relatively strong pound, remains under immense pressure from more competitively priced producers over-

"Survey data have also been mixed, with the first trolled exchange rate on Jansigns that falling base rates uary 13.

HSBC. "We continue to believe that a number of members see the current stance of policy as too tight." Elsewhere, the European Central Bank meets to dis cuss interest rates on Thurs

The US Pederal Reserve in

plummeted to new lows last week as foreign currency continued to pour out of the economy, is likely to keep dealers edgy.

On Friday, the Real weakened sharply, sinking to R\$2.10 versus the dollar. The 7 per cent slide in one day brought the currency's total devaluation to 42 per cent since the central bank was forced to abandon its con-

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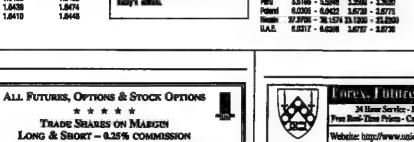
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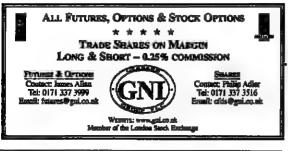


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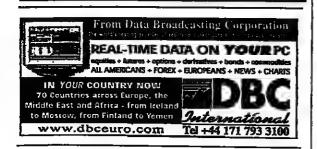






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	Sweeten Switzertean	(SIA)	45.51 25.03	8.391 4,515			120	1.367	5.308	124.4	103.2	5.498	1	0.429	1.064	0.705	81.93	0.620
	(A)C Connector	(ES)	58.35 23.51	10.75		2.829 1.1 1.146 0.4			12.38 4.987	290,0 115.9	240.7 96.98	12.82 5.167	2.332	1.403	2482	1.643	191 0 76.97	1.447 0.583
-	USA		38.53	6.549		.772 6.6	93 1705	1.940	7.533	176.5	145.5	7.805	1,419	0.609	1 511	1	1163	0.861
	Japan Baro	m	30.55 40.34	5.632 7.438		.481 D.5			6.479 8.555	151.8 200.5	126.0 168.4	6.712 8.864	1.012	0.524 0.991	1.716	0.880 1.736	100 132 1	0.757 1
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	III SMEEL FRA	ANC FILLS		SF: 125,005	per SFr				1,890 1,890		0.70 0.41	1,3 0.5		1.53 1.54	1.10 1.82	1.5 2.5		2.53 3.11
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Ш	LONDO	MO I	MEY B	ATPS					Corredo		13/00	5.000				-0.05	+0.01	-0.08
II	lan Si	a maio	Over	7 485	Open	Three	Str.	One		-	11/00	8,000			+8.62	-0.64	-0.01	-0.79
ll			nigië	artice	coseth	Modifis	menths	Men.	_		11/07	7.000				+0.01	-0.23	-1.44
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EURO PRICES

EQUITIES

SHOWING YORK WAS A

Central bankers face rate cut demands

EUROPEAN OVERVIEW

By Bertrand Benoft

European equity markets looking for direction will have their radars locked on interest rates when central bankers review the region's are there for rates to fall to monetary policy this week.

The council of the European Central Bank, which European economist at ABN meets in Frankfurt on Amro. Thursday, is not expected to

50 basis points before the end of the first quarter.

down and inflation is right on target, so the conditions 2.75 per cent by the end of March," said Philip Chitty,

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97.030 97.170 97.210 98.965

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97.030 97.170 97.210 98.970

97.016 17.155 17.136 98.950

LOW

2419.23 906.39

2419.23

The German purchasing

cut its key rate, currently 3 managers index for the man-majority of economists while the FTSE Eurotop 100 per cent. But most analysts ufacturing industry, due on expect the monetary policy are pricing in a cut of 25 to Monday, will be closely committee of the Bank of watched for confirmation England to cut interest rate "The economy is slowing deflationary slope.

Equal attention will be given to France's consumer ary, published on Thursday.

confidence survey for Janu- of 25 basis points. Despite fresh signs that the UK economy is heading

TSE Actuaries Share Indices

1214.89 2786.59 1023.84 1170.48 1201.51

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+3.18 -0.41 +0.87 +0.99 +0.06 -0.33 +1,73

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-3.97 +0.27 +0.53 +0.36 +0.85 -0.60 +2.12

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+0.98 +0.78 -0.35 +1.54 +1.12 -1.07

-0.10

that the country is on a when it meets on Wednesday. The consensus, accord-

The mixed economic outlook left markets unfazed last week, with the FTSE for a gentle slow-down Eurotop 300 index ending the rather than an abrupt stop, a week 34.54 higher at 1,214.89,

2.25 2.33 2.02 2.89 2.35 2.21

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gained 75.42 to 2,786.59. The FTSE Ebloc index of companies in the euro-zone gained 31.73 to 1,023.84. Last week's gains followed

ing to a Reuters poll pub-lished last week, is for a cut ments and relief that the oftments and relief that the oftpredicted collapse in corporate earnings had failed to materialise.

> But optimism could soon dry up according to Mr Chitty, who said companies would post more disappointing earnings as markets moved further into the results season.

In a recent note, ABNand mergers often failed to

deliver long-term value,
"Anyone deciding 12 months ago to play the cor-

-5.0 -0.5 -7.4 -12.6 -4.0 38,7840 7,4758 341,8163 278,7758 8,8079 -5.0 -0.5 -7.0 -13.1 -4.4 37.3017 7.4476 327.0263 7,4350 320,508 248,700 8,5388 4,1335 +0.0002 NS1 = 405 -0.2880 N41 = 225 -0.1100 955 - 552 -0.0027 403 - 618 +8.6200 612 - 773 +8.6200 612 - 380 +0.1886 534 - 726 +0.1798 614 - 472 +0.0081 662 - 715 +0.0004 110 - 126 25.4143 43.6700 8.9100 1.5144 42.4445 6.8440 1.6076 0.6895 -0.0065 M9 - 164 +0.1358 276 - 513 -0.0798 147 - 186 -0.0797 243 - 521 -0.0061 154 - 200 1,132 2,3995 1,7157 11,5382 1,1357 2.4003 1.7316 11.6129 2.2113 1.7145 17.3101 1.1340 -0.0148 0% - 000
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EURO SPOT FORWARD AGAINST THE EURO

10050.40 4.6545 131.600 4.3083 2.1074 43.4889 4.2519 1.9191 1.929.74 36.6350 41.8596 4.16540 36.8406 42.1401 4.1775 -4.5 -5.1 -1.6 37.0519 42.5341 4.1931

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780.38	BONDS							
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1152.69	2 year	3.00 3.11	3.04 3.15	3.00 3.11	3.04 3.16	5.21 5.12	5.24 5.18	5. 6.
865.87	4 year	3.26	3.30	3.26	3.30	5.05	5.09	6.
1039.98	5 year	3,41	3.45	241	3,45	5.02	5.06	5.
999.34 1000.52	U Aum	3.66	3.00	3.55	3.59	4.99	5.03	5.
1362.43	7 year B year	3.86 3.80	3.72	3.58 3.80	3.72 3.84	4.99 4.99	5.03 5.03	5. 5.
	9 year	3.91	136	3.97	3.95	4.90	5.00	ĩ
1001.01 1246.68	10 year	4.00	4.04	4.00	4,04	4.59	5.03	5/
	12 year	4.18	4.20	4,18	4.20	5.00	5.05	5.
1274.22	15 year 20 year	4.36 4.55	4.40	4.36 4.65	4.40	5.00 5.00	5.08 5.07	5
948.90	25 gear	4.00	4.70	4.86	4.70	5.01	5.05	ï
931.55 997.30	20 year	4.73	4.77	4.73	4.77	5.02	5.09	5.
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	aminet 3 months (bor, £ a pood less	ad Yen (30/360 :	puoted o	n a sea Binet 6 r	ni-eenual nonto Eu	actual/s	386
1144.82	against 3 months (. Euro quated en sea	bor, £ a pood less	ad Yen (30/360 :	puoted o	n a sea Binet 6 r	ni-eenual nonto Eu	actual/s	386
1144.82 1499.08 1323.33 623.39	against 3 months (Euro quoted en sea year más which is q	lbor, £ a bond loo poted ago	nel Yen (30/380 : mant 3 n	puoted o	n a sea Binet 6 r	ni-eenual nonto Eu	actual/s	165 1 LR 3
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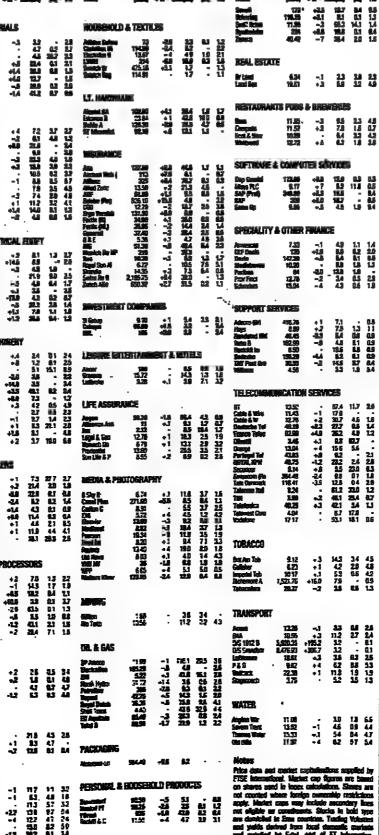
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MoDo

Summary of year-end communiqué for 1998

- Profit after net financial items increased by 15 per cent to SKr 2,338 million (1997: 2,026). The fourth-quarter profit amounted to SKr 441 million, compared to SKr 506 million for the third quarter.
- Profit for the year after tax amounted to SKr 2.504 million (1,434), which corresponds to earnings per share of SKr 28.20 (16.10). The return on equity was 14.4 per cent (9.0).
- . The Board proposes to increase the dividend to SKr 10 per share (9). The Board also proposes payment of an extra dividend of SKr 35 per share.

Decisions on financial targets and strategic direction of business

During the past few years, MoDo has focused on concentrating its business and strengthening the company's financial position. With a debt/equity ratio of 0.2 at the end of 1998, MoDo's financial position is stronger than is regarded as necessary for the development of its business. In view of this, the Board of Directors has established the following financial targets for the company:

> MoDo shall have a strong financial position with a target debt/equity ratio of 0.5 - 0.7. It is intended to keep the capital structure in line with the established target by special capital structure decisions when required. MoDo's target is that each year's dividend shall correspond to 5 - 7 per cent of its equity.

Based on the above targets for the capital structure the Board of Directors will propose to the Annual General Meeting that an extra dividend of SKr 35 per share is paid, in total SKr 3,110 million, above the proposed ordinary dividend of SKr 10 per share. After this MoDo's pro forma debt/equity ratio amounts to 0.5.

The main points in the strategy now established for the operative business are the following:

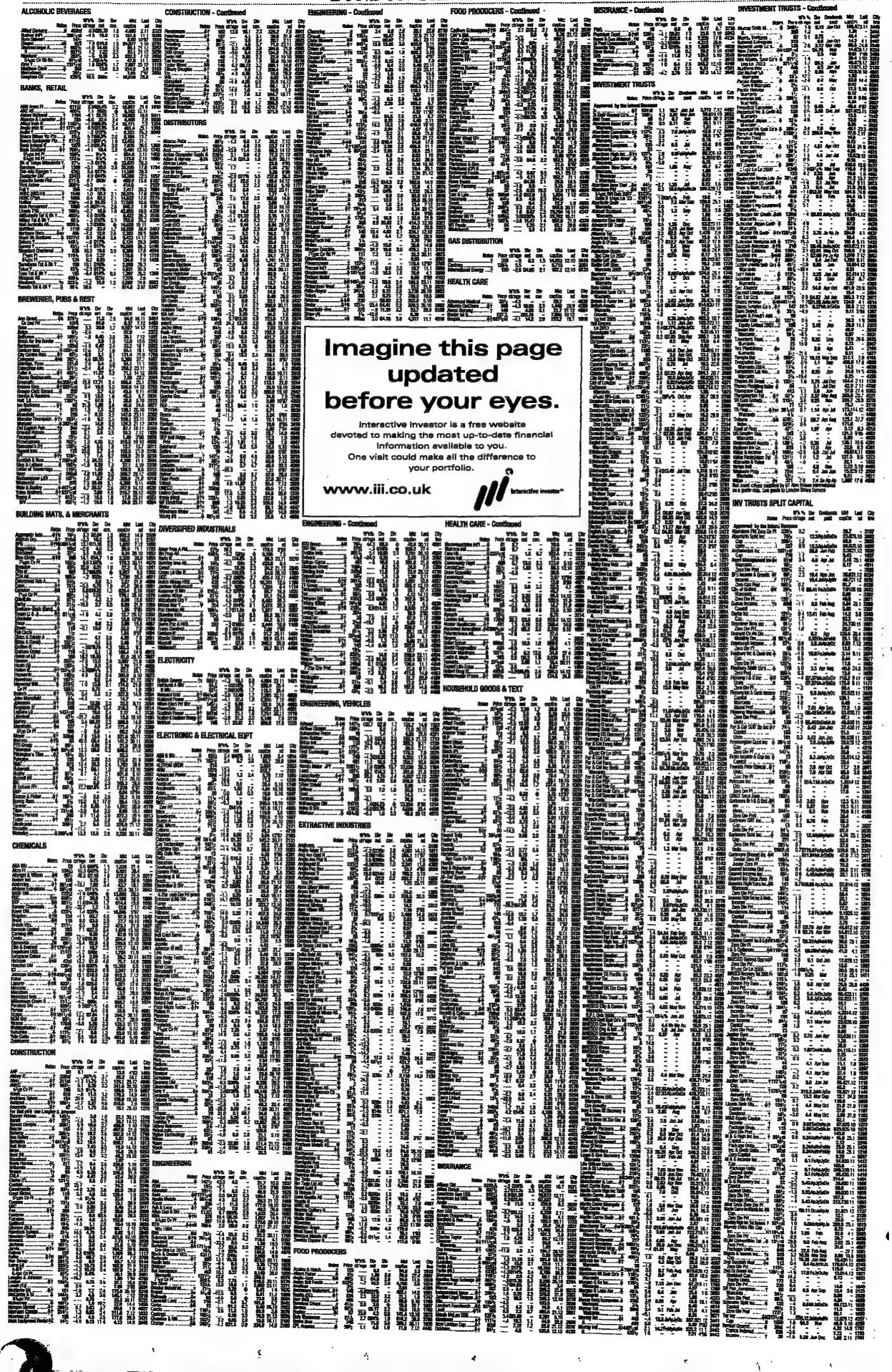
MoDo will focus on growth and development within Holmen Paper (newsprint and magazine paper) and Iggesund Paperboard (paperboard), which currently account for around one half of MoDo's turnover. Within these areas MoDo is highly competitive, and is well placed to further strengthen its positions. The growth can be organic as well as via acquisitions.

MoDo Paper's business, which accounts for around one-quarter of the Group's turnover, will be concentrated on office paper, where MoDo Paper has a strong position and has good potential for further development. To strengthen its competitive position within the office paper area MoDo is open for co-operation with other companies. MoDo Paper will also endeavour to reduce the already low exposure to market pulp.

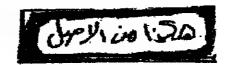
The complete year-end communiqué will be presented in the next issue of MoDo Business Report. The communiqué is also published on MoDo's web site on the Internet, http://www.modogroup.com It may be ordered from Group Public Relations, tel. +46 660 751 31, info@modogroup.com

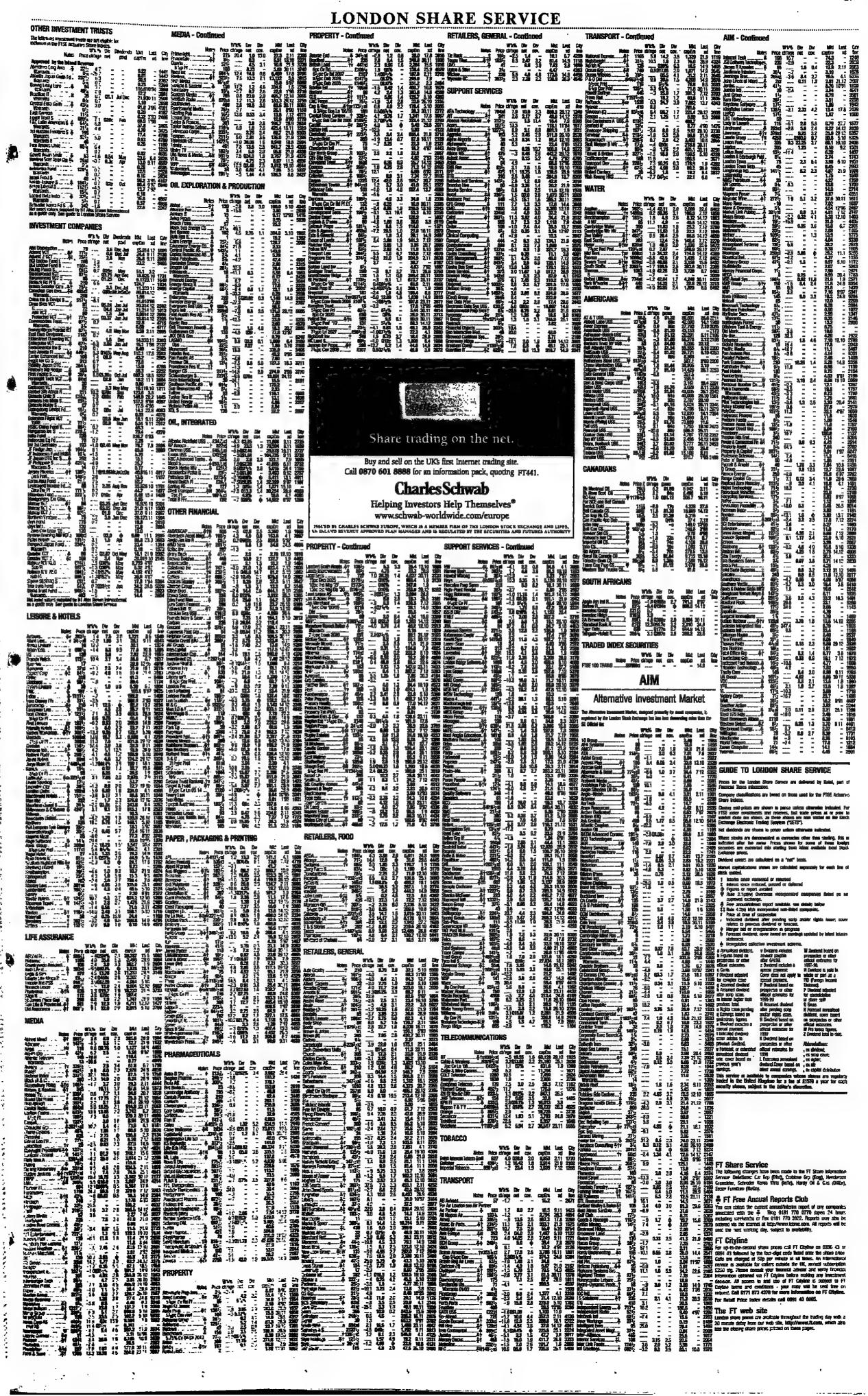
> The Annual General Meeting will be held at 4.00 p.m. on March 25 in the Vinterträdgården of the Grand Hotel in Stockholm.

The annual report will be published at the beginning of March and the interim report for the period January - March 1999 will be published on April 28.

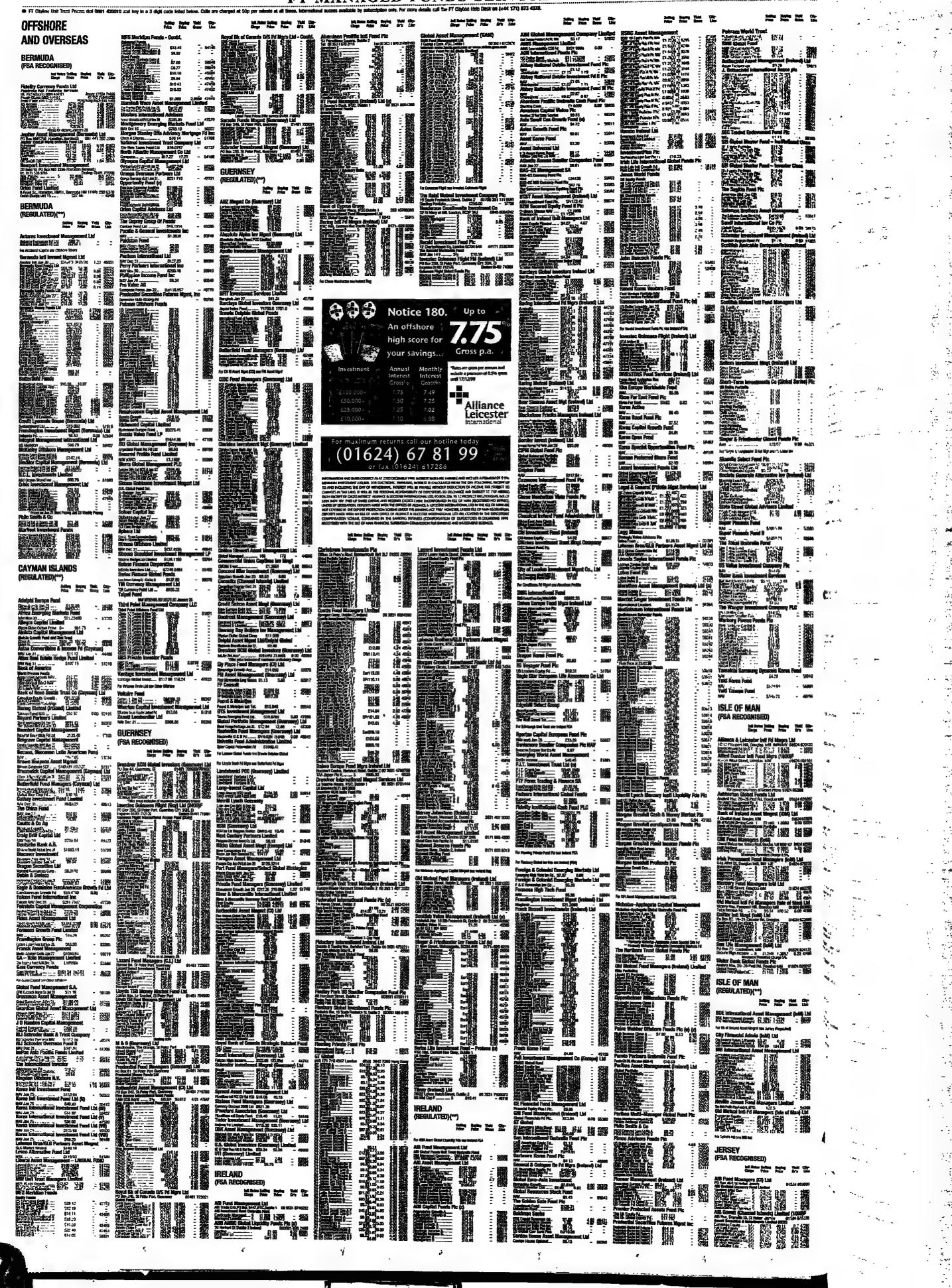


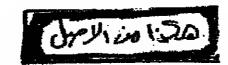
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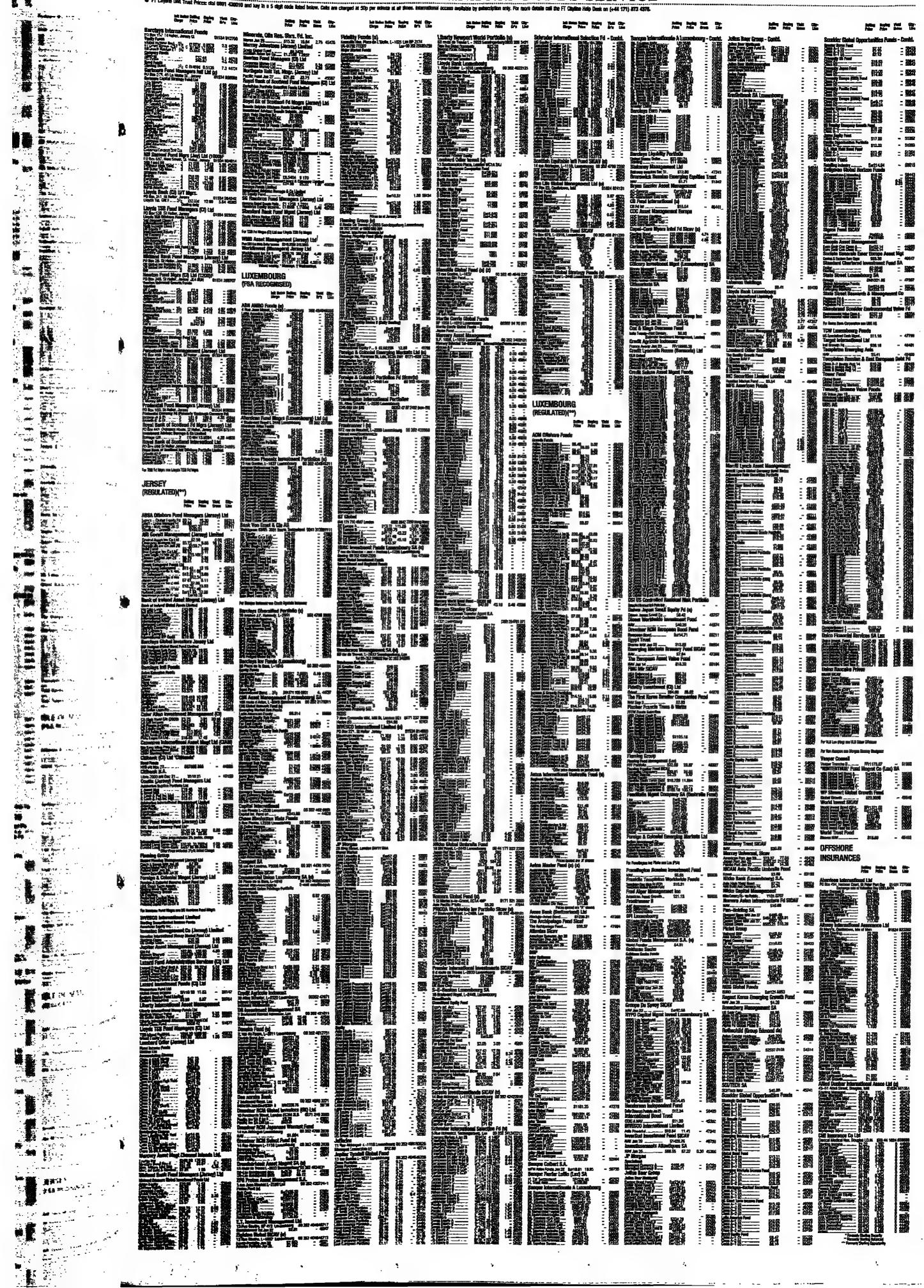
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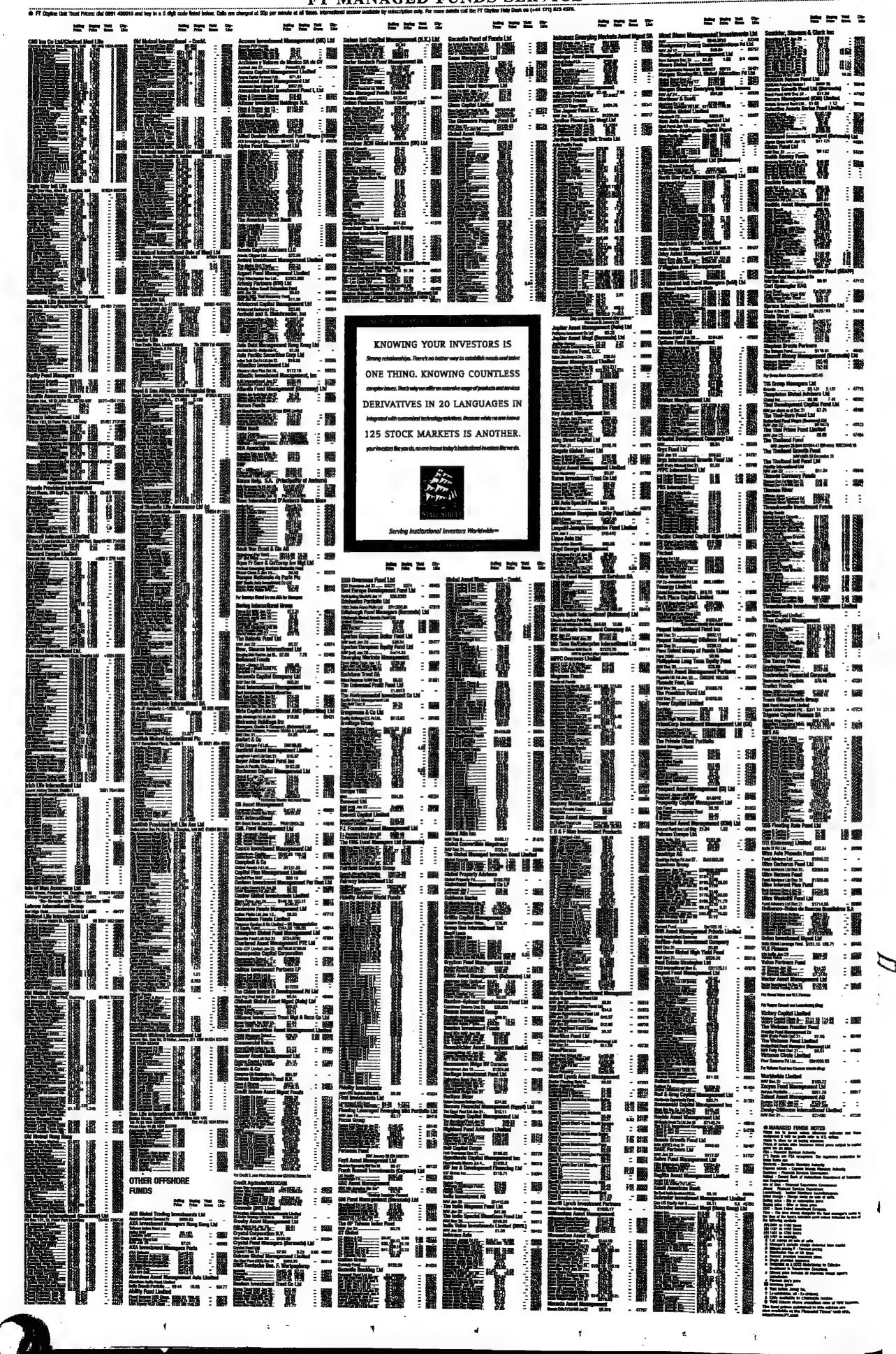
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Foreign business

Igor Ivanov, Russia's foreign minister, arrives in Bonn for discussions with Gerhard Schröder, the German chancellor, on Russia's relations with the European Union and developments in Kosovo. The meeting will also prepare the ground for Mr Schröder's trip to Moscow later this month. The German government, which holds the presidencies of the European Union, the Western European Union and the Group of Seven leading industrial nations, is working on the formulation of a common strategy towards Russia. The strategy, which is expected to place greater emphasis on the co-ordination of structural assistance programmes in Russia as opposed to financial aid, is due to be completed in time for approval at the EU summit in Cologne in June.

US spending plans

Bill Clinton, the US president, will unveil his fiscal 2000 budget, detailing his plans for restoring the troubled social security retirement programme as well as new taxing and spending proposals. He has already proposed using the bulk of federal surpluses, estimated at \$4,400bn over the next 15 years, to buttress social security. He would also draw on surplus funds to shore up Medicare, the federally funded health insurance programme, and to spend more on defence and domestic programmes.

Goodbye to Morse

Marine safety moves fully into the high-technology age with the adoption of a satellite and radio communications system known as GMDSS. The system is legally required on all passeng vessels and cargo ships over 300 torines. At the same time. Morse code is being dropped as the official channel of communication.

Bank account ban

Today is the European Union's deadline for Austria to abolish its Sperbuch savings accounts, which require no proof of identity from the saver. The EU believes the accounts are being used for money laundering and tax evasion by foreign savers.

Finnish arrival

Paavo Lipponen, the Finnish prime minister, visits Britain to discuss European Union affairs with prime minister Tony Blair (to February 2).

Order of the boot

The Fifa World Player of the Year awards are due to be presented in





The international Otympic Committee strugs off problems over corruption on Tuesday to discuss the threat posed by the increased use of per

Barcelona. The winner, picked after a poli of 129 national coaches, will be elected from a shortlist comprising Ronaldo, the Brazillan who won last year, Davor Suker of Croatia and Zinedine Zidane of France.

Green session

The governing council of the United Nations Environment Programme meets at Unep headquarters in Nairobi (to February 5). The 58-strong council will discuss measures to reform and revitalise the UN agency, the budget for the 2000-01 biennium, linkages between the various environmental conventions and environmental policy issues including sustainable tourism.

Holidays

Maiaysia, New Zealand.

TUESDAY 2

Keeping it clean The International Olympic Committee, mired deep in a corruption scandal. takes time out this week to consider the other controversial issue dogging

the Olympic movement performance enhancing drugs. A nree-day conference at the IOC's neadquarters in Lausanne will address the growing threat to the Olympics and sport in general posed by the illegal use of drugs by athletes and

sportsmen and women. The conference is an attempt by the IOC to regain the initiative in anti-doping policy by re-establishing the IOC and other governing bodies as the primary authority over all matters relating to drug use in sport.

FOMC opening

The Federal Reserve's open market committee begins a two-day meeting in Washington to review US interest rates. The committee, chaired by Alan Greenspen, is not expected to raise rates, in spite of indications at the end of last week that the US economy is continuing to grow strongly. The committee last met at the end of December, when it left rates unchanged, following three rate cuts over the autumn in response to strains in financial markets.

Monetary symposium

Economics experts including Joseph E. Stiglitz and Eisuke Sakakibara, from Japan's finance ministry, meet in Tokyo at a symposium on international monetary affairs. They will discuss Issues such as the reorganisation of international currency systems, the role of international financial bodies, and Japan's part in these matters.

Man alone

The House of Keys, the lower house of the Isle of Man, a self-governing British cependency in the Irish Sea, debates a Review of Information Technology.

motion calling for contingency plans for independence from the UK. The Manx fear their island's status as a tax haven could be threatened by any future move towards European economic and monetary union by the UK.

Holiday

Mozambique.

THURSDAY 4

Arafat in Washington

River peace agreement.

Council to be passed.

Snow business

Bank report

French economy

Budget final

Yasair Arafat, the Palestinian leader,

meets Bill Clinton, the US president,

for talks on the suspension of the Wye

Russia's 1999 draft budget receives its

dume. It will later go to the Federation

The 50th annual snow festival opens in

Sapporo, where 20 countries compete

European investment Bank, reports on

to produce the best ice sculpture.

Sir Brian Unwin, president of the

the institution's 1998 activities and

cuttines perspectives for the start of the next millennium in Brussels.

Co-operation and Development issues

The Organisation for Economic

its economic survey on France.

fourth and final reading in the state

WEDNESDAY 3

EU rich and poor

A survey of economic disparities within the European Union due out today is likely to strengthen Spain's and Portugal's cases for continuing aid. The report, which covers the 1986-96 period, shows the 10 poorest regions in the EU have lifted average GDP by 9 per cent and the 10 richest by 7 per

Learning experience

Bill Gates, chairman of Microsoft, the IT group, meets Wirn Kok, the Dutch prime minister, and his cabinet to discuss the use of computers in the Dutch education system.

OECD country survey

The Organisation for Economic Co-operation and development publishes its economic survey of Hungary.

FT Survey

Peace dividend

lamil Mahued and Alberto Fujimori, the Ecuadorien and Peruvian presidents, meet lending agencies in Washington to work out details of \$3bn package for cross-border projects under a peace treaty signed in October.

Holidays Sri Lanks

FRIDAY 5

Plans for Palestine

Yassir Arafet, the Palestinian leader, visits Germany for discussions with Gerhard Schröder, the chancellor, and loschio Fischer, foreign minister, on Palestinian plans for statehood, the suspension of the Wye River agreement and European Union aid. A donor conference for the Palestinian territories will be held on Sunday.

Holidays Mexico, Burundi.

SATURDAY 6

Dust collector

Nasa is scheduled to launch its Stardust mission, the next stage of its Discovery project. The aim is to collect



a sample of comet dust and return it to earth in January 2006.

Hollday

New Zealand.

SUNDAY 7

Property relief Switzerland is due to hold a national vote on an initiative to abolish taxes on private property.

Syrian poll

President Hafiz al-Assad is expected to win approval for a fifth seven-year term in office in a referendum in Syria. The 250-member People's Assembly has stready voted unanimously to approva his nomination.

Going Dutch

US First Lady Hillary Clinton begins a visit to the Netherlands to attend the United Nations population conference.

Compiled by Roger Beals Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news Monday: A raft of US figures start off the week, including data on personal income and consumption, new construction spending, and the National Association of Purchasing Managers' index Tuesday: The UK's purchasing managers' index for the service sector in January will be closely watched for any upturn in business activity after recent GDP figures indicated strong growth in the sector. Wednesday: France's quarterly INSEE business survey for the fourth quarter eaker outlook for demand and lower capacity utilisation, as business confidence deteriorates. Thursday: The European Central Bank and the Bank of England's monetary policy committee both meet to set interest rates. Most analysts give a higher chance of a further cut in UK interest rates than in the euro-zone Friday: Consumer labour market surveys in the US employment, suggesting strong increases in the key

Day Reference	Country	Economic Statistic	Medien Forecest	- Previous Actual	Day Released	Country	Economic Statistic	Riccian Forecast	Prov
Mon ·	Japan	Jan car sales		-23.5%		ireland	Dec credit growth**	24%	24,5
Feb 1	Japan.	Jen foreign exchange reserves		0.6%	7 . :	US	M2-week ended Jan 25	\$8bn	\$10
	France	Dec producers price index	-2.2%	-2.1%		Japan .	Jan overell wholesale price indust	-0.8%	-0.4
	N'iends	Dec producers price index	-22	-52		Jepen	Jan overall WPI**	-4.8%	-44
***	UK	Dec consumer credit	£1.2bn	21.3bn	Fri	UK	Jan SPC shop prices*		0.07
. ".	UK .	Dec final M4**		8.0%	Feb 5	UK	Jan BRC shop prices**		-0.8
	us .	Dec construction spending	.0.5%	0.9%	1.1 4.4 5	Jepen	Dec coincident index	12.5%	36%
	US .	Jan domestic car sales · · · · · ·	6.7m	7.5m	******	Jepen -	Dec leading differential Index	50%	66.7
	US	Jan domestic light truck sales :	6.8m :::	7.3m -	7- j===	italy:	Dec producer price index*	-1.4%	-1.3
Tues :	Australia	Dec balance on goods & services	-A\$800m	-A\$960m		N'lands	Jan consumer price Index	1,996 . "	1,7
Feb 2	US	STM-Schroders Jan 30		1.3%	3 - 1 3	Canada	Jen unemployment rate	8.0%	8.09
•	US	Dec new home sales	960,000	985,000		US .	Jan hourly earnings	0.3%	0.49
	us	Dec leading indicators:	0.3%	0.8%		US	Jan average workweek	34.6	34.6
*:	US	Redbook Jen 30		1.9%		US	Jan unemployment rate	4.4%	4.39
Weds ·	Austrelia.	Dec building approvels	0.3%	0.3%		US	Dec home completions	٠	1.8
Feb 3	France	O3 q'tty industrial survey, demand	-1.	2		US	Dec consumer credit	\$6bn	\$3.9
	UK .	Jan CBI distributive trades		+4		Spein	Jan registered unemployment		-18,
	Conside	Jan foreign reserves, change	C\$500m1.	C\$100m	During to	he week			. :
	US	NAPM (non-manufacturing)	· · · ·	49.5%.	e. g.	EMU	C3 GDP finalt		0.59
	Brazil	Jen Fipe consumer price Index 4th pr		-0.12%		EMU	QS GDP finel	: · · :	2.89
	Australia .			0.3		BMU	Dec unemployment rate	TD.8%	-10,8
-	France ·	Jan household survey	-12	11-	-		Dec capital account	• • • • • • • • • • • • • • • • • • • •	-DM
· · ·	Germany	Dec menulacturing orders*	-0.2%	-1.5%		Japan	Dec current account	*	Y1,2
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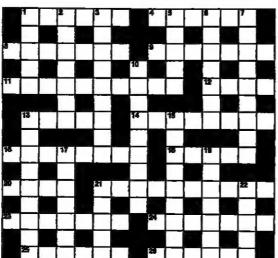
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non-farm payrolls figure and hourly earnings figures for

- 18 Firearm for a man on board? (5)

- 1 Fur is practical when going
- 3 Always on the outside but not unknown (9) 5 To be still held by a pole is 6 Regard as a bit more spec-
- Pit duty is not normally simplicity (9)
 Fan, 50 amps, used by
 people stripping? (9)
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- board? (5)
 20 Conservative leader with a record that's foul (4)
 21 Objection to locks for place? (10)
 23 Putting salt in meal I cooked is friendly? (7)
 24 Raving exchanged one lira on plane, flap! (7)
 25 One temporarily in charge of the issue? (6)
 26 Happy to be burning hot live outside (6)

 admitted it's fair (9)
 3 odd lady in tank travelling from place to place (7)
 3 See it as possibly the least difficult (7)
 3 Elicit approval during the day before (5)



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